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## **St. Paul Information and Web Sites**

### **STAFF**

Grace Cooper, Loan Production Officer  
Jeanne Kadrlik, Team Leader  
Nick Russo, Team Leader

### **ADDRESS**

Department of Veterans Affairs  
Regional Loan Center (264)  
Bishop Henry Whipple Federal Building  
1 Federal Drive, Fort Snelling  
St. Paul, MN 55111-4050

### **PHONE NUMBER**

**1-800-827-0611**

Option Selections:

- #1 Construction and Valuation
- #2 Loan Production
- #3 Loan Administration
- #4 Release of Liability, Warranty Deed

### **FAX NUMBER**

**(612)-970-5496 Underwriters**

### **E-MAIL ADDRESSES**

**rlc335@vba.va.gov** (St. Paul RLC)  
**vaappraisal.stpaul@vba.va.gov** (Construction & Valuation)  
**rlc/lp@vba.va.gov** (Loan Production)  
**rlctt@vba.va.gov** (Training Issues)  
**vavbalan/lgyeli@vba.va.gov** (Los Angeles Eligibility Center)

### **INTERNET SITES**

**homeloans.va.gov**  
**www.vba.va.gov/rostpaul.htm**  
**www.vahomes.org/la/home.htm**



## Department of Veterans Affairs Home Loan Guaranty Benefits Summary

### *What Is A VA Guaranteed Loan?*

VA guaranteed loans are made by private lenders, such as banks, savings & loans, or mortgage companies to eligible veterans for the purchase of a home THAT MUST BE FOR THEIR OWN PERSONAL OCCUPANCY. To get a loan, a veteran must apply to a lender. If the loan is approved, VA will guaranty a portion of it to the lender. This guaranty protects the lender against loss up to the amount of guaranty and allows a veteran to obtain favorable financing terms. There is no maximum VA loan but lenders will generally limit VA loans to \$240,000. This is because lenders sell VA loans on the secondary market, which currently places a \$240,000 limit on the loans. For loans up to this amount, it is usually possible for qualified veterans to obtain no down payment financing. A veteran's maximum entitlement is \$36,000 (or up to \$60,000 for purchases over \$144,000). Lenders will generally loan up to 4 times a veteran's entitlement without a down payment, provided the veteran is income and credit qualified and the property appraises for the asking price.

**(Reach More Veterans In High Cost Housing Markets:** Increase the number of VA loans you sell to Freddie Mac by increasing the original balance from \$300,700 to \$322,700. For more information contact your Freddie Mac Account Manager at: (800) FREDDIE)

### *VA Loans Offer The Following Important Features:*

- Equal opportunity for all qualified veterans to obtain a VA loan.
- No down payment (unless required by the lender or the purchase price is more than the reasonable value of the property).
- Buyer informed of reasonable value.
- Negotiable interest rate.
- Ability to finance the VA funding fee (plus reduced funding fees depending on down payment, and exemptions for veterans receiving compensation).
- Closing costs are comparable with other financing types (and may be lower).
- No mortgage insurance premiums.
- An assumable mortgage.
- Right to prepay without penalty.
- For homes inspected by VA during construction, a warranty from the builder and assistance from VA to obtain cooperation of the builder.
- VA assistance to veteran borrowers in default due to temporary financial difficulty.

### *VA Does Not Do The Following:*

- Guarantee that the home is free of defects. VA guarantees only the loan. It is the veteran's responsibility to assure that they are satisfied with the property being purchased. The VA appraisal is not intended to be an "inspection" of the property. A veteran should seek expert advice (a qualified residential inspection service), as necessary, BEFORE legally committing to a purchase agreement.
- If you have a home built, VA cannot compel the builder to correct construction defects although VA does have authority to suspend a builder from further participation in the home loan program.
- VA can't guarantee that a veteran is making a good investment.
- VA can't provide a veteran with legal services.

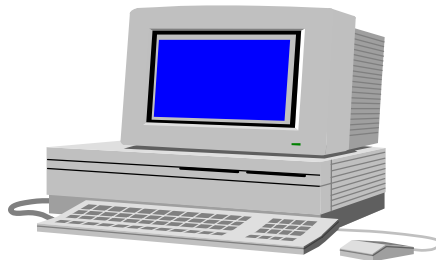


## The Appraisal System

This is a centralized, Internet-based appraiser assignment system designed to increase the efficiency of processing Veterans' loan applications. Both a user ID and password are required to access this system.

- Federal Law requires all appraisals for VA guaranteed loans to be completed by an appraiser on a rotational basis from a panel of approved fee appraisers.
- All assignments are made through the TAS at:

**<http://tas.vba.va.gov/TAS/index.html>**



TAS offers benefits to all users including ease of use, speed, accessibility, and expanded lender access to VA records. Most importantly, TAS allows automatic lenders who are authorized under the Lender Appraisal Processing Program (LAPP) to issue Notices of Value (NOV's) directly to VA's system. With the combination of E-Commerce Appraisals and TAS, LAPP lenders no longer have to send copies of NOV's and Appraisals to VA at the time of issuance.

**(LOGIN IDs and Passwords for ordering case numbers and appraisals remain the same! Staff Appraisal Reviewers (SARs) will be required to enter TAS to obtain individual Login IDs.)**

- If you are obtaining a new Log-on select "Lender" from the pull-down menu in the **Setup Your Account** area. You will need the first 10-digits of your VA Lender ID number. The user ID follows a pattern of two random letters followed by the first six letters of your company name (no spaces) followed by two random letters. **(VA has no access to your log-on or password so please maintain these for future use.)**
- User IDs are assigned to lender numbers so each branch office can have its' own user ID.
- Agents ordering appraisals under LAPP for a LAPP approved sponsor will need the sponsor's 10-digit lender ID number.
- The system is designed to generate a Request for Determination of Reasonable Value, VA Form 26-1805. Items in red are mandatory fields and must be completed; complete the other fields only if you need a system generated VA Form 26-1805.
- Click once on the submit button when you have completed the form and a VA Form 1805 will appear on the screen. Scroll down to find the name, address and phone number of the appraiser. (Because the hour glass does not always appear, if you click twice on the submit button you will get an error message. Clicking the "back" button on



your browser will get you back to your data entry screen, you will have to resubmit the data in order to obtain a VA Form 26-1805.)

- If for any reason you are uncertain of your success in getting an assignment, go under **All Users** function and search to see if you obtained a case number and appraiser or call VA for assistance.

**The Condominium/Planned Unit (PUD) and Builder (CPB) system:** was created to assist VA registered lenders and builders as well as veterans in obtaining VA information about Condominiums and PUDs. A password is not required to access this system.

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### **The Automated Certificate of Eligibility (ACE)**

This system is an Internet based application with two functions, Automated Certificates of Eligibility and Online Loan Status Inquiries. This system requires a user ID and password. Lenders input data, while a potential veteran-borrower is in the office or on the telephone, and receive an eligibility determination within seconds. This is an alternative to mailing VA Form 26-1880, Request for Determination of Eligibility for VA Home Loan Benefits to the appropriate Eligibility Center.

ACE can't make all eligibility determinations but is helpful in many cases especially where the veteran is a first time user of the program. Other types of cases that cannot be processed through ACE at this time are:

- Persons whose service was or is in the Reserves/National Guard
- Persons who may have had prior VA loan(s) that went to foreclosure
- Persons who did not serve the minimum required length of service and were not discharged for an authorized exception
- Persons who were discharged under conditions other than honorable
- Persons for which VA has insufficient data to make the determination
- Persons seeking restoration of previously used entitlement

(In these instances VA Form 26-1880 must be completed and mailed to one of the eligibility centers for processing.)

If eligibility cannot be established, the lender will get a Refer message saying the determination cannot be made. A Refer message only means that ACE cannot make the determination. It does not necessarily mean the veteran is not eligible.

The "traditional" Certificates of Eligibility are still valid; however, they aren't required if you obtain an ACE generated certificate. Simply print out the display and submit with the Modified Guaranty Submission Package. VA will use the authorization number on the certificate to confirm its authenticity.

An ACE generated certificate will be valid only for the lender, or authorized agent, who obtained it.

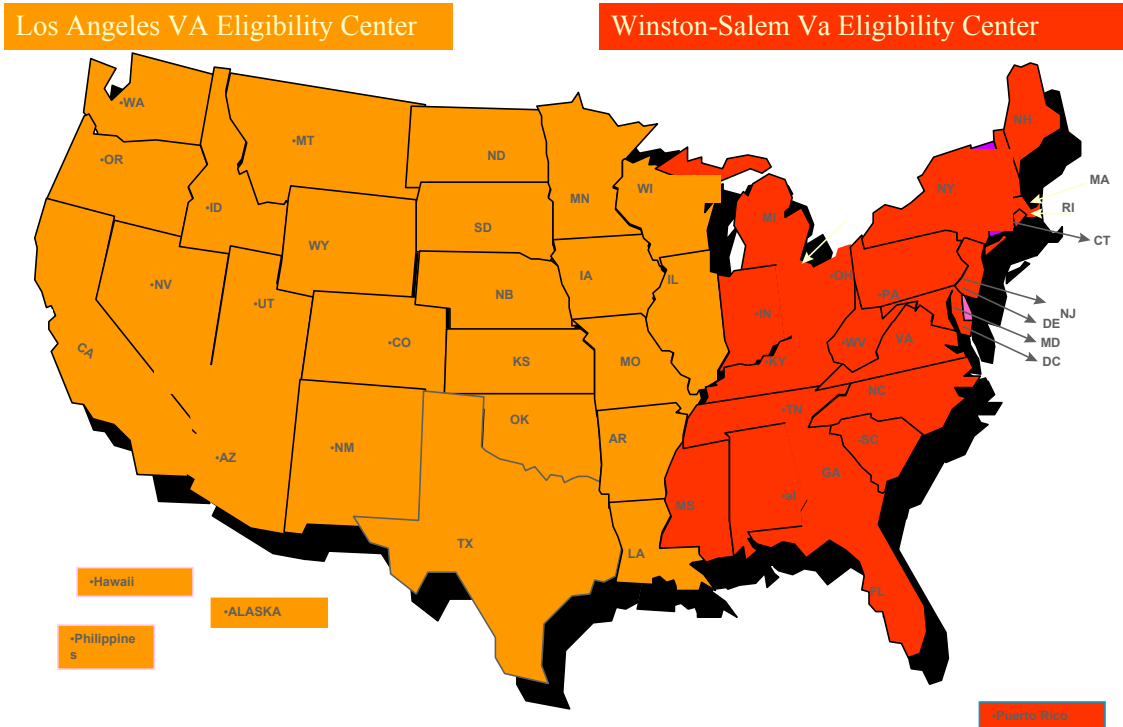


## General Reference Information

### VA Eligibility Centers

Mailing Address	Phone Number	Overnight Address
Los Angeles Eligibility Center P.O. Box 240097 Los Angeles, CA 90024	(310) 235-6912 (888) 487-1970 8:30-3:30 PST	Dept. of Veterans Affairs Los Angeles Eligibility Center (344/263) 11000 Wilshire Blvd. - 3 <sup>rd</sup> Floor Los Angeles, CA 90024
<b>Internet sites: Los Angeles:</b> <a href="http://www.vahomes.org/la/home.htm">http://www.vahomes.org/la/home.htm</a> <b>E-Mail Address: Los Angeles:</b> <a href="mailto:VAVBALAN/LGYELI@vba.va.gov">VAVBALAN/LGYELI@vba.va.gov</a>		
VA Loan Eligibility Center P.O. Box 20729 Winston-Salem, NC 27120	(888) 244-6711	VA Regional Office 251 N. Main Street Winston-Salem, NC 27155
<b>E-Mail address: Winston-Salem:</b> <a href="mailto:NCELGIB@vba.va.gov">NCELGIB@vba.va.gov</a>		

### VA Eligibility Centers



## Personnel Reserve Centers

Contact appropriate office to obtain copies of point statements or other documentation that reflects 6 years participation with evidence of honorable discharge:

Branch	Type of Form	Telephone
Air Force/Air National Guard	NGB 22, Report of Separation and Record of Service AF 526, Point Summary Sheet	(800) 525-0102 ext. 71388
Army Reserve	DARP FM 249-2E or ARPC Fm 606, Chronological Statement of Retirement Points	(314) 592-0123
Navy Reserve	NRPC 1070-124, Annual Retirement Point Record	(800) 966-9174
USMC Reserve	NAVMC 798	(800) 268-3710
Coast Guard Reserve	CG 4175	(800) 268-3710

## **Military Records**

Must be requested in writing from the address below:

National Personnel Records Center  
Military Personnel Records  
9700 Page Avenue  
St. Louis, Missouri 63132-5100

Web Page: [www.archives.gov](http://www.archives.gov)

SF Form 180 required to request discharge papers  
can be found at: [homeloans.va.gov](http://homeloans.va.gov)



## Selected Reserves/National Guard

Must complete a total of 6 years in the Selected Reserves or National Guard with an honorable discharge and not be otherwise eligible. Eligibility under this program expires September 30, 2007, unless extended by Congress. To make application, VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits, must be completed along with proof of at least 6 years service in the Selected Reserves or National Guard. This includes those in AGR (Active Duty Guard/Reserve or Active Guard/Reserve) status. The following forms may be submitted:

Army National Guard	NGB Form 22 or NGB Form 23
Air National Guard	NGB Form 22 or NGB Form 23
Army Reserve	DARP Form 249-2-E
Navy Reserve	NRPC 1070-124
Air Force Reserve	AF 526
USMC Reserve	NAVMC 798
Coast Guard Reserve	CG-4175

(Reference: VA Lender's Handbook, paragraph 2.08)

Eligibility is determined by submitting a completed VA Form 26-1880 and proof of military service. Visit the web site at <http://www.vahomes.org/la/home.htm> to get a VA Form 26-1880.

Most lenders have access to the Automated Certificate of Eligibility (ACE) system. This internet based application can establish eligibility and issue an online Certificate of Eligibility in a matter of seconds. Not all cases can be processed through ACE - only those for which VA has sufficient data in our records.

A Certificate of Eligibility is NOT necessary for Interest Rate Reduction Refinance of existing VA loans. Lender's may now use the web site: <http://www.vba-roanoke.com/rlc/GILoans.asp> to submit Loan Status Inquiries in lieu of a Certificate of Eligibility for IRRRLs. This is an automated service that will process the request within 24 hours of submission, 7 days a week. This service can be used for all VA loans, irrespective of the property location, or VA office of jurisdiction.





**Department of Veterans Affairs**  
VA-335-0087351

**CERTIFICATE OF ELIGIBILITY**  
FOR LOAN GUARANTY BENEFITS  
(Reserves/National Guard)

NAME OF VETERAN (Print, include Social Last) **JEFFREY M. SHUNBERG** SERVICE ADMINISTRATIVE SECURITY NUMBER **111-11-1111**

ENTITLEMENT CODE **11** BRANCH OF SERVICE **NAVY** DATE OF BIRTH **11/09/1969**

Is eligible for the benefits of Chapter 37, Title 38, U.S. Code, and has the amount of entitlement shown as available, subject to the statements (if checked) and prior usage shown below.

☒ Valid unless discharged or released subsequent to date of this certificate. A certification of continuous service in the Reserves or National Guard as of date of note is required.

☐ Excluded entitlement previously used for VA L/N \_\_\_\_\_ as shown herein is available only for use in connection with the property which secured that loan.

☐ Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is \_\_\_\_\_.

☐ Not eligible for any loan to purchase a manufactured home unit until veteran disposes of \_\_\_\_\_ purchased with manufactured home loan number VA L/N \_\_\_\_\_.

☐ Entitlement previously used for VA L/N \_\_\_\_\_ has been released without disposal of the property, under provision of 38 U.S.C. 3702b(4). Any future restoration requires disposal of property obtained with a VA loan.

LOAN NUMBER (Include amount if Direct Loan) \_\_\_\_\_ AVAILABLE\* **\$36,000** DATE AND INITIALS OF VA AGENT \_\_\_\_\_

\*The amount shown is increased by up to \$14,750 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25%.

NOTE: The figure shown as available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For information about maximum loan amounts, see VA Pamphlets 26-4 and 26-71-1, or contact the nearest VA office for further information.

**IMPORTANT**  
\*\*RESERVES/NATIONAL GUARD ELIGIBILITY\*\*  
\*\*INCREASED FUNDING FEE REQUIRED\*\*  
\*\*ELIGIBILITY EXPIRES SEPTEMBER 30, 2003\*\*  
**SAFEGUARD THIS FORM FOR FUTURE USE**

St. Paul, MN 55111  
Processing Office  
11/03/1999  
PD (Date Issued)

Secretary of Veterans Affairs  
*Grace Cooper*  
(Signature of Authorized Agent)

VA FORM 100-1081 CUB-8326 SUPERSEDES VA FORM 10-8326, OCT 1993, WHICH WILL NOT BE USED.

**National Guard/Reservist**

**Department of Veterans Affairs**  
VA-335-0087351

**CERTIFICATE OF ELIGIBILITY**  
FOR LOAN GUARANTY BENEFITS

NAME OF VETERAN (Print, include Social Last) **JEFFREY M. SHUNBERG** SERVICE ADMINISTRATIVE SECURITY NUMBER **111-11-1111**

ENTITLEMENT CODE **4** BRANCH OF SERVICE **NAVY** DATE OF BIRTH **11/09/1969**

Is eligible for the benefits of Chapter 37, Title 38, U.S. Code, and has the amount of entitlement shown as available, subject to the statements (if checked) and prior usage shown below.

☐ Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required.

☐ Excluded entitlement previously used for VA L/N \_\_\_\_\_ as shown herein is available only for use in connection with the property which secured that loan.

☐ Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is \_\_\_\_\_.

☐ Not eligible for any loan to purchase a manufactured home unit until veteran disposes of \_\_\_\_\_ purchased with manufactured home loan number VA L/N \_\_\_\_\_.

☐ Entitlement previously used for VA L/N \_\_\_\_\_ has been released without disposal of the property, under provision of 38 U.S.C. 3702b(4). Any future restoration requires disposal of all property obtained with a VA loan.

LOAN NUMBER (Include amount if Direct Loan) \_\_\_\_\_ AVAILABLE\* **\$36,000** DATE AND INITIALS OF VA AGENT \_\_\_\_\_

\*The amount shown is increased by up to \$14,750 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25%.

NOTE: The figure shown as available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For information about maximum loan amounts, see VA Pamphlets 26-4 and 26-71-1, or contact the nearest VA office for further information.

Available entitlement is subject to reduction if VA assesses actual liability or loss on the loan(s), if any, listed below, obtained by the veteran with the assistance of loan benefits derived from military service in WWII or the Korean conflict.

OUTSTANDING LOAN NUMBER(S)	DATE	DETAILS OF VA AGENT	REDUCED	DATE	INITIALS OF VA AGENT

**SAFEGUARD THIS DOCUMENT FOR FUTURE USE**

St. Paul, MN 55111  
Processing Office  
11/03/1999  
PD (Date Issued)

Secretary of Veterans Affairs  
*Grace Cooper*  
(Signature of Authorized Agent)

VA FORM 100-1081 CUB-8326 SUPERSEDES VA FORM 10-8326, FEB 1993, WHICH WILL NOT BE USED.

**Active Duty or Post Service**

VA Department of Veterans Affairs  
0000000000-0

Certificate of Eligibility  
FOR LOAN GUARANTY BENEFITS

NAME OF VETERAN **John Doe**

SERVICE NUMBER  
SOCIAL SECURITY NUMBER **123-45-6789**

ENTITLEMENT CODE **10** BRANCH OF SERVICE **Marine Corps** DATE OF BIRTH **1/1/65**

Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of date of note is required.

Is eligible for benefits of Chapter 37, Title 38, U.S. Code. Available entitlement indicated below.

Prior Loan	ENTITLEMENT		Date
	Used	\$36,000 Available*	

\*The basic \$36,000 available is increased by up to \$14,750 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25 percent.

NOTE: The figure shown as available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For information about maximum loan amounts contact the nearest VA office for further information.

Outstanding Loan	Date	REDUCED ENTITLEMENT		
		Loan	Comments	Date

SAFEGUARD THIS FORM FOR FUTURE USE

SECRETARY OF VETERANS AFFAIRS

*Yvonne J. Ingram*  
Eligibility Center

(Authorized Agent)  
February 19, 1999

VA Form 26-8320(cg)

Sample VA Form 26-8320, Certificate of Eligibility,  
Issued by Winston-Salem Eligibility Center



NAME OF VETERAN

SERVICE NUMBER  
 SOCIAL SECURITY NUMBER

ENTITLEMENT CODE

BRANCH OF SERVICE

DATE OF BIRTH

Prior loans which affect entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Used	Status

**THIS VETERAN'S AVAILABLE BASIC ENTITLEMENT IS \$0.00\***

\*Veteran is eligible for the benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement for veterans who have not previously used home loan benefits is \$36,000. The available basic entitlement is increased by up to \$24,000 for home purchase and construction and condominium loans which are for an amount in excess of \$144,000. The guaranty will not exceed 25 percent. Available entitlement represents the portion of a loan which may be guaranteed or insured by VA to a lender. For more information about maximum loan amounts, contact the nearest VA Regional Loan Center for further information.

**CONDITIONS**

LENDER

**AUTOMATED CERTIFICATE OF ELIGIBILITY**



## Eligible Loan Purposes

Eligible veterans and service personnel may obtain loans for the following purposes:

- To buy a home up to four family units for one veteran, including townhouses or condominium unit in a VA approved project
- To build a home
- To simultaneously purchase and improve a home
- To improve a home by installing energy-related features such as solar or heating/cooling systems, water heaters, insulation, weather-stripping/caulking, storm windows/doors or other energy efficient improvements approved by the lender and VA
- To refinance an existing home loan
  - cash-out refinance
  - reduce the interest rate (Interest Rate Reduction Refinance)
  - convert an adjustable rate mortgage (ARM) to a fixed rate mortgage.
- To buy a manufactured home and/or lot

(Reference: VA Lender's Handbook, paragraph 3.02)



## **Requirements For VA Loan Approval**

To obtain a VA loan, the law requires that:

- The applicant must be an eligible veteran who has available entitlement;
- The loan must be for an eligible purpose;
- The veteran must occupy the property as a home within a reasonable period after closing the loan;
- The veteran must be a satisfactory credit risk; and
- The income of the veteran and spouse, if any, must be shown to be stable and sufficient to meet the mortgage payments, cover the cost of owning a home, take care of other obligations and expenses and have enough left over for family support.

**Notes:**

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## **Loan Types Requiring Prior Approval**

All lenders, whether or not they have automatic authority, must submit the following types of loans to VA for prior approval:

- Joint loans
- Loans to veterans in receipt of VA non service-connected pension
- Loans to veterans rated incompetent by VA
- Interest Rate Reduction Refinancing Loans (IRRRLS) made to refinance a delinquent VA loan
- Manufactured home loans (except when the manufactured home is permanently affixed to a lot and considered real estate under State law) unless the lender has been separately approved for this purpose
- Cooperative loans (Contact VA to discuss)
- Unsecured loans, or loans secured by less than a first lien

(Reference: VA Lender's Handbook, paragraph 5.04.)

### **Notes:**

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## **Forms Required For Prior Approval**

The following loan documentation, in sequence, must be submitted under the prior approval procedure:

1. Lender's cover letter (if used);
2. VA Form 26-8320, Certificate of Eligibility, or Automated Certificate of Eligibility;
3. URLA (Uniform Residential Loan Application) with revised VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application; (submission requirement of Debt Questionnaire met by submission of URLA, submission requirement of Federal Collection Policy Notice met by submission of the HUD/VA addendum to the URLA)
4. Interest Rate and Discount Disclosure Statement;
5. VA Form 26-0592, Counseling Checklist for Military Home Buyers (if applicable);
6. VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet (if applicable);
7. VA Form 26-8937, Verification of VA Benefit Related Indebtedness (if applicable);
8. VA Form 26-6393, Loan Analysis;
9. Original credit report on veteran-applicant and spouse or other joinder (if applicable) and any related documents, (for example, proof of debt payment, explanations, etc.);
10. VA Form 26-8497a, Request for Verification of Deposit, and other related documents;
11. VA Form 26-8497, Request for Verification of Employment (or equivalent), and other verifications of income (for example, pay stubs, tax returns, see par. 5.12);
12. Purchase/Earnest money contract;
13. VA Form 26-1805, VA Request for Determination of Reasonable Value, (except in MCRV cases); Notice of Value;



14. VA Form 26-1843a, Master Notice of Value, if applicable, with any applicable endorsements and/or change orders (VA Forms 26-6363 and /or 26-1844 or VA computer generated form).(Highlight to show lot and block identification, house type valuation, and optional equipment applicable to veteran's purchase.) or;
15. LAPP documentation (see par. 21.19); and
16. The original Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report (URAR), including all addendum, photographs, and any documents revising or correcting the fee appraiser's original (URAR). (Note: the URAR, etc. is not required when VA Form 26-1843a MCRV, is submitted); and  
Any other necessary documents.

(Reference: VA Lender's Handbook, paragraph 5.04.)

**Notes:**

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## **Joint Loans**

**A joint loan generally refers to a loan for which:**

- A veteran and another person(s) are liable.
- The security is owned by the veteran and the other obligor(s).

**A joint loan is made to:**

- The veteran and one or more non veterans (not spouse).
- The veteran and one or more veterans (not spouse) who will not be using their entitlement.
- The veteran and the veteran's spouse who is also a veteran, and both entitlements will be used.
- The veteran and one or more other veterans (not spouse), all of whom will use their entitlement.

**A loan involving a veteran and his or her spouse will not be treated as a joint loan if the spouse:**

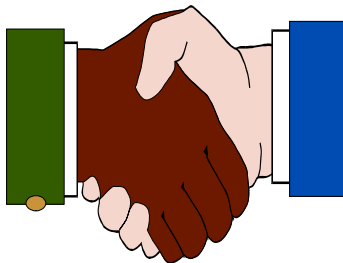
- Is not a veteran

**OR**

- Is a veteran who will not be using his or her entitlement on the loan.

A loan to a veteran and fiancé/fiancée who intend to marry prior to loan closing and take title as veteran and spouse will be treated as a loan to a veteran and spouse (conditioned upon their marriage) and not a joint loan.

**Any joint loan for which title to the property will be held by the veteran and any person other than the veteran's spouse must be submitted for prior approval.**



Any loan for which title to the property will be held by the veteran and the veteran's spouse, whether or not the spouse also uses entitlement, may be closed automatically by a lender with automatic authority.

**Veteran/Non veteran Joint Loan** - Guaranty is limited to that portion of the loan allocable to the veteran's interest in the property.

**Two Veteran Joint Loan** - As with a non-joint loan, potential maximum guaranty on a joint loan is calculated based on the total loan amount and cannot exceed \$60,000, even if the available entitlement of the veterans involved adds up to a greater amount.

### **Occupancy**

- Any person who uses entitlement on a joint loan must certify intent to personally occupy the property as his or her home.
- Any borrower on a joint loan who does not use entitlement for the loan (such as a non veteran), does not have to intend to occupy the property.

(Reference: VA Lender's Handbook, paragraph 7.01.)

### **Notes:**

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## Maximum Guaranty on VA Loans

### Maximum Guaranty Table

The maximum guaranty on a VA loan is the lesser of

- the veteran's available entitlement (plus \$24,000 for purchase or construction loans or IRRRLs greater than \$144,000), or
- the maximum potential guaranty amount indicated below.

Loan Amount	Loan Type(s)	Maximum Potential Guaranty	Special Provisions
Up to \$45,000	All	50% of the loan amount	Minimum guaranty of 25% on IRRRLs
\$45,001 to \$56,250	All	\$22,500	Minimum guaranty of 25% on IRRRLs
\$56,251 to \$144,000	All	40% of the loan amount, with a maximum of \$36,000	Minimum guaranty of 25% on IRRRLs
Greater than \$144,000	Must be for: <ul style="list-style-type: none"> <li>• Purchase or construction of a home, or</li> <li>• Purchase of a condominium unit, or</li> <li>• Refinancing with an IRRRL</li> </ul>	25% of the loan amount, with a maximum of \$60,000	Cash-out refinances have a maximum guaranty of \$36,000  Minimum guaranty of 25% on IRRRLs
Any	<ul style="list-style-type: none"> <li>• Joint Loans</li> </ul>		See Section 7.01
	<ul style="list-style-type: none"> <li>• Energy Efficient Mortgages</li> </ul>		See Section 7.03
	<ul style="list-style-type: none"> <li>• Construction loans on which construction is incomplete</li> </ul>		See Section 7.02
	<ul style="list-style-type: none"> <li>• Supplemental loans</li> </ul>		See Section 7.05



## Energy Efficient Mortgages (EEM)

Energy Efficient Mortgage's (EEM) are loans for the acquisition of an existing dwelling and the cost of making energy improvements to the dwelling, **OR** refinancing an existing VA loan with an IRRRL, or energy efficient improvements to a dwelling owned and occupied by the veteran.

The mortgage may be increased by:

- Up to \$3,000 based solely on the documented costs of the energy improvements

**OR**

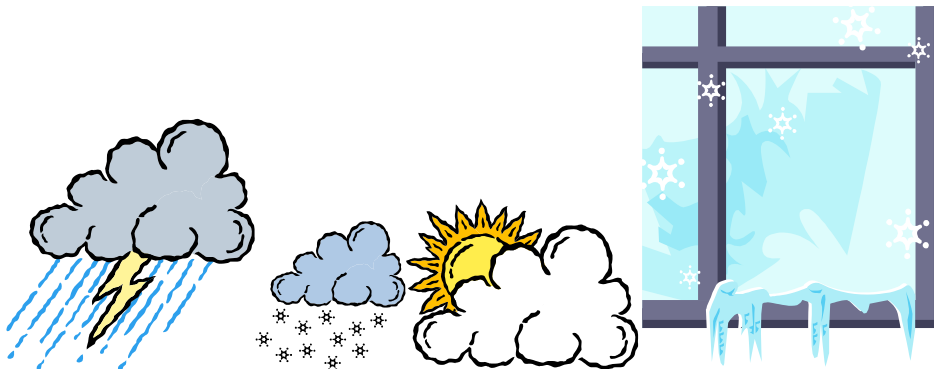
- Up to \$6,000 provided the increase in monthly mortgage payment does not exceed the likely reduction in monthly utility costs

**OR**

- More than \$6,000 subject to a value determination by VA.

These features may be added with the purchase of an existing dwelling or by refinancing a home owned and occupied by the veteran. A refinancing loan may not exceed 90 percent of the appraised value plus the costs of the improvements.

(Reference: VA Lender's Handbook, paragraph 7.03.)



## **Refinancing Loans**

### **Cash-Out Refinancing Loans**

**The loan limit is 90%** of the amount of the Notice of Value, plus the funding fee, plus the cost of any energy efficient improvements up to \$6,000.

**The maximum guaranty is \$36,000** (not \$60,000).

The loan must pay off an existing lien(s) of record. Itemization of the debts paid off by loan proceeds is required.

The veteran can receive cash proceeds from the loan for any purpose acceptable to the lender.

(Reference: VA Lender's Handbook, paragraph 6.03.)

### **Other Refinancing Loans**

These consist of loans to refinance:

- construction loans
- installment land sales contracts
- loans assumed by veterans at interest rates higher than that for the proposed refinance

These loans are like cash-out refinances in all respects **except**:

- the loan amount is not limited to 90%
- these loans may not exceed the **lesser** of

the VA reasonable value

**or**

the sum of the outstanding balance of the loan to be refinanced plus allowable closing costs and discount points.

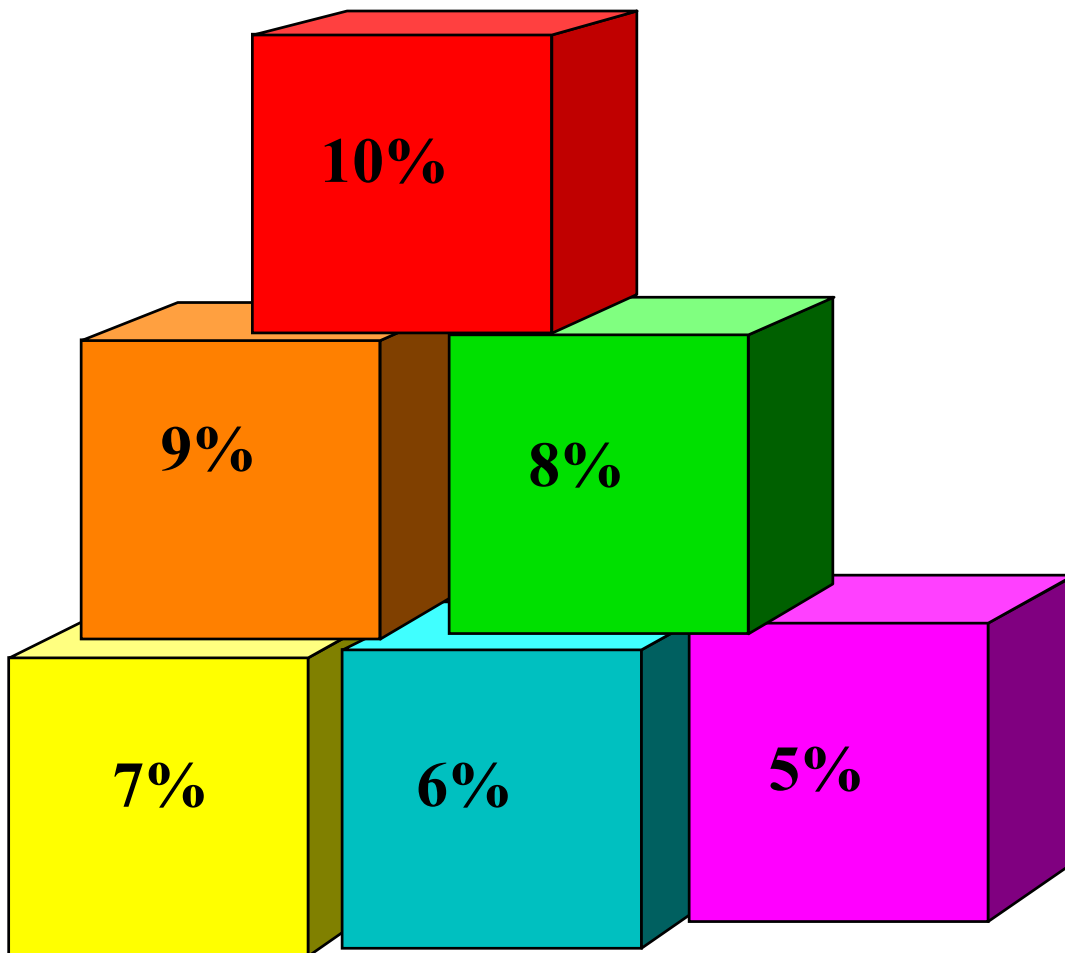
(Reference: VA Lender's Handbook, paragraph 6.05.)



## Interest Rate Reduction Refinancing Loans

- An Interest Rate Reduction Refinancing Loan (IRRRL) can be done only when the veteran already has his or her entitlement used for a VA loan on the property to be refinanced. In other words, it must be a VA to VA refinance reusing the veteran-applicant's entitlement.
- **Remember to order a new VA case number through the VA Assignment System. On the requester menu, select "generate loan number only."**
- **New Procedure of IRRRL Loans :** Lender's may use the web site <http://www.vba-roanoke.com/rlc/GILoans.asp> to submit IRRRL Status Inquiries in lieu of a Certificate of Eligibility for IRRRLs. This is an automated service that will process the request within 24 hours of submission, 7 days a week. This service can be used for all VA loans, irrespective of the property location , or VA office of jurisdiction. To use this service lenders will need the first six digits of their VA Lender Identification Number and an e-mail address. On-line instructions are available at the above web site.
- The occupancy requirement for an IRRRL is different from the occupancy requirement for other VA loans. The veteran, or spouse of an active duty member, must certify that he or she previously occupied the property as his or her home. This satisfies the occupancy requirement by certifying prior occupancy.
- Always use VA Form 26-8923, IRRRL Worksheet, to calculate the maximum loan amount. Basically, it is the existing VA loan balance plus allowable fees and charges, including not more than 2 discount points, plus the cost of any energy efficient improvements, plus the funding fee.
- No credit information or underwriting is required unless the loan to be refinanced is 30 days or more past due or the monthly payment (PITI) will increase 20 percent or more. A borrower with a recent Chapter 13 bankruptcy may need approval of the trustee for the new loan.
- An interest rate reduction refinance may be done by including all costs in the new loan or by setting the interest rate on the new loan high enough to enable the lender to pay all loan closing costs. Remember, the principal and interest payment must be less than the principal and interest payment of the VA loan being refinanced unless an adjustable rate mortgage is being refinanced by a fixed rate VA IRRRL, the term of the IRRRL is shorter than the term of the previous VA guaranteed loan or energy efficient improvements are included in the IRRRL.

- No lien other than the existing VA loan may be paid from the proceeds of the IRRRL. It may be necessary that the holder of the second lien subordinate that lien.
  - The guaranty on an IRRRL will always be at least 25 percent.
  - Any lender, including those without authority to process other VA loans on an automatic basis, may process IRRRL's on an automatic basis as long as the existing loan is not in default.
  - If the existing loan is delinquent the IRRRL must be submitted for prior approval.
- 
- (Reference: VA Lenders Handbook, paragraph 6.01.)



## Forms Required for Interest Rate Reduction Refinance Loans

The following loan documentation, in sequence, must be submitted under the IRRRL procedure:

1. Lender's cover letter (if used);
2. VA Form 26-0285, VA Transmittal List;
3. VA Form 26-0286, VA Loan Summary Sheet;
4. VA Form 26-8320, Certificate of Eligibility; ACE generated Certificate, or Loan Status Inquiry;
5. VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or (if applicable) VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage to Mortgagee, or evidence borrower is exempt; or print out of Receipt issued through the on-line Funding Fee Payment System;
6. Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. (The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.);
7. VA Form 26-8923, Interest Rate Reduction Refinancing Loan Worksheet.  
**(Include CAIVRS number);**
8. VA Form 26-1820, Report and Certification of Loan Disbursement;
9. VA Form 26-8937, Verification of VA Benefit-Related Indebtedness (if applicable);
10. HUD-1, Settlement Statement.
11. VA Form 26-0503, Federal Collection Policy Notice.
12. Lender's certification that the prior loan was current (not 30 days or more past due) at the time of loan closing.
13. If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time.
14. Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan, and
15. Any other necessary documents.





<b>Department of Veterans Affairs</b>		
<b>INTEREST RATE REDUCTION REFINANCING LOAN WORKSHEET</b>		
<p>RESPONDENT BURDEN: VA may not conduct or sponsor, and respondent is not required to respond to this collection of information unless it displays a valid OMB Control Number. Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. If you have comments regarding this burden estimate or any other aspect of this collection of information, call 1-800-827-1000 for mailing information on where to send your comments.</p>		
NOTE - Submit this form when requesting guaranty on an Interest Rate Reduction Refinancing Loan.		VA LOAN NUMBER
<b>SECTION I - INITIAL COMPUTATION</b>		
LINE NO.	ITEM	AMOUNT
1.	EXISTING VA LOAN BALANCE (PLUS COST OF ENERGY EFFICIENT IMPROVEMENTS)	\$
2.	SUBTRACT ANY CASH PAYMENT FROM VETERANS	-
3.	TOTAL	\$ 0
<b>SECTION II - PRELIMINARY LOAN AMOUNT</b>		
4.	ENTER TOTAL FROM LINE 3	\$ 0
5.	ADD _____% DISCOUNT BASED ON LINE 4	+ 0.00
6.	ADD _____% ORIGATION FEE BASED ON LINE 4	+ 0.00
7.	ADD _____% FUNDING FEE BASED ON LINE 4	+ 0.00
8.	ADD OTHER ALLOWABLE CLOSING COSTS AND PREPAIDS	+
9.	TOTAL	\$ 0
<b>SECTION III - FINAL COMPUTATION</b>		
10.	ENTER TOTAL FROM LINE 9	\$ 0
11.	ADD _____% DISCOUNT BASED ON LINE 10	+ 0.00
12.	SUBTOTAL	= 0
13.	SUBTRACT AMOUNT SHOWN ON LINE 5	- 0
14.	SUBTOTAL	= 0
15.	SUBTRACT AMOUNT SHOWN ON LINE 7	- 0
16.	SUBTOTAL	= 0.00
17.	ADD _____% FUNDING FEE BASED ON LINE 16	+ 0.00
18.	TOTAL - MAXIMUM LOAN AMOUNT	\$ 0.00 *
NOTE: * MAXIMUM LOAN AMOUNT MAY BE ROUNDED OFF, BUT MUST ALWAYS BE ROUNDED DOWN TO AVOID CASH TO THE VETERAN. ROUND-OFF AMOUNTS OF LESS THAN \$50 DO NOT REQUIRE RECOMPUTATION.		
DATE	NAME OF LENDER	SIGNATURE AND TITLE OF OFFICER OF LENDER

VA FORM  
JUN 2001

**26-8923**

SUPERSEDES VA FORM 26-8923, MAY 2000,  
WHICH WILL NOT BE USED.

## Who can an IRRRL be made to?

Generally, the party(ies) obligated on the original loan must be the same on the new loan (and the veteran must still own the property). The lender should contact VA regarding a proposed IRRRL involving a change in obligors unless the acceptability of the IRRRL is clear based on information and examples in this section. The table below provides some examples.

<b>Parties Obligated on Old VA Loan</b>	<b>Parties to be Obligated on new IRRRL</b>	<b>IS IRRRL Possible?</b>
Unmarried veteran	Veteran and new spouse	Yes
Veteran and Spouse	Divorced veteran alone	Yes
Veteran and spouse	Veteran and different spouse	Yes
Veteran alone	Different veteran who has substituted entitlement	Yes
Veteran and spouse	Spouse alone (veteran died)	Yes
Veteran and nonveteran joint loan obligors	Veteran alone	Yes
Veteran and spouse	Divorced spouse alone	No
Unmarried veteran	Spouse alone (veteran died)	No
Veteran and spouse	Different spouse alone (veteran died)	No
Veteran and nonveteran joint loan obligors	Nonveteran alone	No

### Notes:

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## Refinance Comparison

(Full List on Page 6-21 of VA Lender's Handbook)

	Regular Cash-Out	IRRRL Rate Reduction
<b>Statutory Authority</b>	38 USC 3710(a)(5)	38 USC 3710(a)(8)
<b>Guaranty Entitlement Required</b>	Yes	No
<b>Cash to Veteran</b>	Yes	No
<b>Loan Limit</b>	90 percent of NOV plus funding fee	VA loan balance plus allowable closing costs and funding fee (plus up to \$6,000 for energy efficient improvements)
<b>Must Veteran Own Property</b>	Yes	Yes
<b>Must Veteran Occupy Property</b>	Yes	No (must have once occupied)
<b>Maximum Loan Term</b>	30 years + 32 days	Existing VA loan term plus 10 years not to exceed 30 years and 32 days
<b>Maximum Interest</b>	Negotiated Rate	Rate must be lower than rate on present VA loan (unless refinancing ARM to fixed rate)
<b>Lien of Record Required</b>	Yes	Yes
<b>OK to Refinance Other Liens</b>	Yes	No
<b>Appraisal Required</b>	Yes	No
<b>Credit Package Required</b>	Yes	No (unless delinquent)
<b>OK for Automatic Processing</b>	Yes, Automatic lenders	Yes, all lenders <b>unless</b> existing VA loan is delinquent



## **Income Summary**

### **Standard Documentation**

- Income claimed by an applicant that is not or cannot be verified should not be given consideration.
- A minimum of two years employment should be verified (including past employers if needed).
- Verifications of employment dated within 120 days of the note, 180 days for new construction.
- An original or certified copy of the applicant's pay stub, when furnished by the employer, must be provided.
- The employment verification should be compared with the pay stub for consistency.
- **VA now permits lenders to use faxed and Internet downloaded documents for income/employment or asset verifications.**

**Faxed documents:** Must provide same information as standard VOE or VOD.

–Clearly identify employer or depository's name and source of information

–Lenders are responsible to ensure authenticity of the document by examining banner information provided at top of each page of the fax, review for errors such as incorrect area codes, unreadable names, income, assets or debts not adequately completed on the form, and the form must contain name and telephone number of person who can verify the faxed information.

**Internet downloads:** Must show the employer or depository's name and source of information.

–Lenders are responsible for ensuring the document is valid by reviewing the information contained on any headers/footers and the banner portion of the downloaded WebPages(s) and the downloaded pages should show the Uniform Resource Locator (URL) and the date and time printed.



## Alternative Documentation

- Generally, applicants should be with the employer for 12 months or have related experience.
- Telephone verifications should be obtained and be similar in content to the employment verification form. Phone verifications should show the person contacted, their position, phone number, and date contacted.
- Furnish the original pay stub(s) covering the most recent **30** day period together with W-2 forms for the previous 2 years.
- If documents are questionable in authenticity or consistency, or if the employer is unwilling to provide a verbal verification, then a standard verification of employment form is required.
- Alternative documentation can be used in conjunction with verification of employment forms to meet the two year coverage.
- “Full” verifications of employment through “The Work Number for Everyone,” a service of the TALX Corporation. (No pay stub is needed with the TALX verification.)
- **Approved automated underwriting systems are:** Loan Prospector, Desktop Underwriter, pmiAURA, Countrywide CLUES, Chase Zippy.

### Notes:

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## **Income Summary Reservist/ National Guard**

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### **Reservists, National Guard & Active Duty Applicants**

- A certified copy or original Leave and Earnings Statement (LES) is required to verify military employment. This exhibit must be no more than 120 days old, 180 days for new construction and substitutes for the VOE.
- Veterans who have less than one year remaining time in service (ETS date) must certify that they are going to re-enlist, along with their commander certifying they are eligible to re-enlist. If the applicant does not plan to continue with the military, he/she must provide a firm job commitment or contract from the new employer verifying the job position, rate of pay, starting date, hours scheduled per week, and probability of continued employment.
- The continuation of Military Allowances must be determined to count as income. If the duration of these allowances cannot be determined on pro pay, flight pay, hazardous duty pay, etc., then the allowances will only be used to offset intermediate debts of 24 months or less. It is the lender's responsibility to separate allowances into taxable and tax-free categories.

**NOTE\*\* When activated with Reserves or Guard, veterans whose loans are in process or ready to close may be subject to a sharp reduction in income. It's important to recognize that activated reservists whose incomes are reduced may be unable to qualify for the loan they're seeking. Therefore, except in cases where the veteran is currently serving on active duty and qualifying income is derived from such service, lenders must determine if a veteran is a member of a Reserve or Guard unit. If so lenders must ascertain if the veteran has been notified of a mobilization of his or her unit. If the veteran is in a unit with actual orders for mobilization, the loan must be underwritten on the basis of the projected active duty income.**

### **Self-employment Income**



- Income from self-employment may be used when the applicant has been self-employed for at least 2 years. If the applicant has related experience and/or extensive specialized training, consideration may be given after one year.
- Copies of the past two years business **and/or** individual tax returns must be provided.
- The current year-to-date profit and loss statement and balance sheet are required. These exhibits can be prepared by the business or the veteran, if adequate information is provided. If discrepancies exist the underwriter may still request financials be prepared by an accountant.
- Normal business expenses that can be “added-back” to the net profit or bottom-line figures include depreciation, business interest, and amortization of organizational fees (corporations).
- Business debts listing the name of a Sole-Proprietor on a Schedule C must be counted against the veteran on the loan analysis. The same applies to partnerships filed on IRS Form 1065. Only corporate debts are exempt from the veteran’s loan analysis.
- On partnerships and corporations, furnish a list of the primary owners and their percentage in the business. This can usually be found on the K-1 Forms for partnerships and sub-chapter S corporations or on the 1120 Form, Schedule E for standard corporations.
- Taxable Income listed on the bottom of a corporate tax return (IRS Form 1120) may be divided by the veteran’s percentage of ownership and then used as additional income (subject to tax).



## Commission Income

- When all or a major portion of an applicant's income is from commissions, a verification exhibit is needed. It must show the year-to-date commissions, the basis for computing commission, and how frequently commissions are paid to the applicant.
- Generally commission income can be considered stable after the applicant has received it for **two** years. Commissions can be considered after **one** year, if the applicant has prior related experience or extensive specialized training. Income should be averaged over a 12 to 24 month period.
- The prior two years income tax returns (additional periods if needed) must be provided with W-2s and 1099-MISC Forms. These individual returns must be complete with all schedules, signatures and dates included.
- Commission income received for less than **one** year can rarely be counted. To conclude the stability of "short-term" commissions, the lender would be required to do an in-depth development and verify stability.

### Notes:

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## Rental Income

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**Multi-Family Housing** - If the veteran is purchasing or renting out multi-family housing, the documentation required would include two years tax returns to verify prior landlord experience, copies of leases (if available), and evidence of cash reserves equaling six months PITI. All of the conditions must be met to include rental funds in income.

- The amount of rental income used on existing units would be based on seventy-five percent of the verified prior rent, unless a higher percentage can be documented.
- If the units are proposed property, then VA would require a letter from the appraiser stating the “fair rental value” and a vacancy/operating cost reduction of that rental figure (a 25% reduction would be acceptable.)
- **Rental of existing property** - Rental of an existing single-family property may be used to “off-set” the mortgage payment if there is a positive cash-flow, and there is no indication the property will be difficult to rent. A copy of the lease must be furnished (if available) and it is the underwriter’s responsibility to be familiar with the local rental market. On “off-setting” the mortgage payment, the debt should still be listed on the loan analysis, but shown as a “rental offset.”
- If the existing single-family property is located in a weak rental market or has a negative cash flow, the rental income and expenses must be listed separately on the loan analysis. A copy of the lease agreement should be obtained, if available.
- **Other Rental Property** - If the applicant has other rental property, the same conditions apply as in multi-family housing with the exception of cash reserves equaling three months PITI instead of six. The strength of the local rental market should be evaluated to determine the property will not be difficult to rent; and depreciation & interest may be added-back if tax returns are used to determine effective income. Without prior rental experience, it is unlikely rental income can be used.



## Stability & Use of Income

- After income has been verified, the applicant must generally be employed 12 months or longer to count the income. Related training or experience may be substituted to satisfy this 12 month requirement.
- Generally, *2<sup>nd</sup> job income* should only be used after the applicant has 24 months experience of working two jobs. The ability to withstand the physical and emotional stress of working two jobs must be demonstrated before income can be included. There may be special situations that allow you to drop below the 2 year requirement.
- Generally, income from *overtime or part-time work* is not considered reliable unless the applicant has received this income for 2 years. However, overtime indicated by the employer as “likely to continue” can be used after 1 year. Overtime and part-time earnings that have been received for at least 1 year can always be used to off-set intermediate debts with less than 24 months remaining.
- *Seasonal income* may be used under special circumstances. It is important to document the past history and the likelihood it will continue.
- *Temporary income* such as VA educational allowances and unemployment compensation do not represent stable and reliable income and as a general rule, are not to be considered as income.
- Income from *Worker’s Compensation, Foster Care, Public Assistance, Social Security, Alimony, and Child Support* may be considered if they have been verified as consistently paid and are likely to continue. Public assistance programs and Social Security must continue for a minimum of 3 years from the date of closing to be counted.



## **Credit Summary**

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### **General Rule**

A borrower with no derogatory references within the last 12 months can generally be considered to have acceptable credit. Exceptions are:

- Outstanding judgments
- Unresolved Federal debts

### **No Credit**

Lack of references is not a reason for disapproval. If possible, obtain references from non traditional sources of credit.

### **Collection Accounts**

Payment of collection accounts at or near the time of loan application does not affect creditworthiness of the borrower. A borrower with an unacceptable credit history does not become acceptable simply by paying collection accounts. Conversely, a borrower with an overall favorable history might be considered acceptable with an isolated unpaid collection account.

### **Judgments**

A loan cannot be approved with an unpaid judgment, unless the veteran is on acceptable repayment plan.

### **Consumer Credit Counseling**

- If entered before delinquency, a positive or neutral factor.
- If entered after delinquency, need 12 months of acceptable history and the approval of counselor.



## **Bankruptcy**

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### **Chapter 13:**

- Need a satisfactory history for 12 months on payment plan and approval of the court.

### **Chapter 7:**

- Due to self employment and borrower subsequently obtains a permanent position; no time period required; no derogatory credit before self employment or after bankruptcy and no misconduct.
- Due to circumstances beyond borrower's control, 12 months with no derogatory credit and documentation of circumstances.
- Other situations require two years with no derogatory credit.

## **Foreclosures**

Apply the guidelines provided for bankruptcies filed under the straight liquidation and discharge provisions of the bankruptcy law.

- Prior VA Loans: Sufficient entitlement and no unresolved debt to government.

## **Federal Debts**

- Must be paid in full, in non-collectible status, or on a repayment plan.

## **Divorce Situations**

- Disregard delinquent payments made after assignment of responsibility to ex-spouse.



## **Assets**

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Applicant or spouse must have sufficient cash to cover:

- closing costs or points which are their responsibility and are not financed in the loan (points can only be rolled into the loan in the case of refinancing)
- the down payment, if a Graduated Mortgage, and
- the difference between the sales price and the loan amount, if the sales price exceeds the reasonable value established by VA

(VA does not require applicants to have additional cash to cover a certain number of mortgage payments. Reference: VA Lender's Handbook, paragraph 4.04.)

Liquid assets must be verified to the extent that are needed to close the loan.

## **Debts and Obligations**

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Debts and obligations of the applicant must be rated and a credit report must be obtained. When a pay stub or leave-and-earnings statement indicates an allotment, the lender must investigate the nature of the allotment and determine if it is related to a debt.

Include written explanation for any obligation that is not rated. All credit reports and verifications must be no more than 120 days old or 180 days for new construction.

ECOA prohibits requests for or consideration of, credit information on a spouse who will not be contractually obligated on the loan except

- if the applicant is relying on alimony, child support, or maintenance payments from the spouse (or former spouse), or
- in community property states (If the property is located in a community property state consider the spouse's credit information whether or not the spouse will be personally liable on the note and whether or not the applicant or spouse chooses to have income considered.)

Deduct significant debts and obligations from total effective income when determining ability to meet mortgage payments. Significant debts and obligations include:

- debts and obligations with a remaining term of 10 months or more (long-term)
- accounts with a term less than 10 months that require payments so large as to cause a severe impact on the family's resources for any period of time.



## Table of Residual Income by Region

### For loan amounts of \$79,999 and below

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
over 5	Add \$75 for each additional member up to a family of 7			

### For loan amounts of \$80,000 and above

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
over 5	Add \$80 for each additional member up to a family of 7			

For loan applications in which either the borrower or the spouse is an active-duty service person, the residual income figures will be reduced by a minimum of 5 percent if there is a clear indication that the borrower or spouse will continue to receive the benefits resulting from the use of nearby military-based facilities. This reduction may also be applied to retired military applicants when the property is located reasonably near a military base or installation. (This reduction applies to both of the above tables.)

### Key to Geographic Regions Used in the Residual Income Tables

<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
	Wyoming		



**VA Income Ratio**  
**(Using VA Form 26-6393, Loan Analysis)**

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$$\text{VA Income Ratio} = \frac{\text{Item 15} + 16 + 17 + 18 + 21 + 41}{\text{Item 32} + 39}$$



The ratio is determined by taking the sum of PITI, homeowners' and other assessments (items 15, 16, 17, 18 and 21) and obligations to be deducted from income (item 41) divided by the total of gross salary or earnings (item 32) and other compensation or net income (item 39).

The ratio should be rounded to the nearest two digits and will be entered in item 45 of VA Form 26-6393.

**Remember** to calculate maintenance and utility costs using 14 cents per square foot. For example a 1500 square foot home would have a combined maintenance and utility cost of \$210 (1500 sq. ft. X .14 = \$210)



## Compensating Factors

- Excellent long-term credit
- Conservative use of consumer credit
- Minimal consumer debt
- Long-term employment
- Significant liquid assets
- Down payment or the existence of equity in refinancing loans
- Little or no increase in shelter expense
- Military benefits
- Satisfactory home ownership experience
- High residual income
- Low debt-to-income ratio
- Tax credits for child care
- Tax benefit of home ownership



## Closing Summary

The following directives apply to the verification, documentation, and processing of closed VA loans. All questions and points of clarification should be referred to Chapter 8 of the VA Lender's Handbook (VA Pamphlet 26-7) or the Regional Loan Center.

### **Fees and Charges**

The veteran can pay a maximum or

- reasonable and customary amounts for any or all of the “Itemized Fees and Charges” designated by the VA plus
- a 1% flat charge by the lender, plus
- reasonable discount points.

Some special provisions apply to construction, alteration, improvement and repair loans.

The veteran may pay any or all of the following itemized fees and charges, in amounts that are reasonable and customary.

#### **Itemized Fees and Charges:**

<b>Charge</b>	<b>Description</b>
Appraisal and Compliance Inspections	<p>The veteran can pay the fee of a VA appraiser and VA compliance inspectors.</p> <ul style="list-style-type: none"><li>• The veteran can also pay for a second appraisal if he or she is requesting reconsideration of value.</li><li>• The veteran cannot pay for an appraisal requested by the lender or seller for reconsideration of value.</li><li>• The veteran cannot pay for appraisals requested by parties other than the veteran or lender.</li></ul>
Recording Fees	The veteran can pay for recording fees and recording taxes or other charges incident to recordation.
Credit Report	<p>The veteran can pay for the credit report obtained by the lender.</p> <p>On Loan Prospector cases, the veteran may pay the evaluation fee of \$50 in lieu of the charge for a credit report. For “Refer” cases, the veteran may also pay the charge for a merged credit report, if required.</p>
Prepaid Items	The veteran can pay that portion of taxes, assessments, and similar items for the current year chargeable to the borrower and the initial deposit for the tax and insurance account.



Hazard Insurance	The veteran can pay the required hazard insurance premium. This includes flood insurance, if required.
Flood Zone Determination	<p>The veteran can pay the actual amount charged for a determination of whether a property is in a special flood hazard area, if made by a third party who guarantees the accuracy of the determination.</p> <ul style="list-style-type: none"> <li>• The veteran can pay a charge for a life-of-the-loan flood determination service purchased at the time of loan origination.</li> <li>• A fee may <b>not</b> be charged for a flood zone determination made by the lender or a VA appraiser.</li> </ul>
Survey	<p>The veteran can pay a charge for a survey, if required by the lender or veteran.</p> <p>Any charge for a survey in connection with a condominium loan must have the prior approval of VA.</p>
Title Examination and Title Insurance	<p>The veteran may pay a fee for title examination and title insurance, if any.</p> <p>If the lender decides that an environmental protection lien endorsement to a title policy is needed, the cost of the endorsement may be charged to the veteran.</p>
Special Mailing Fees for Refinancing Loans	For refinancing loans only, the veteran can pay charges for Federal Express, Express Mail, or a similar service when the saved per diem interest cost to the veteran will exceed the cost of the special handling.
VA Funding Fee	Unless exempt from the fee, each veteran must pay a funding fee to VA.
Other Fees Authorized by VA	<p>Additional fees attributable to local variances may be charged to the veteran <b>only</b> if specifically authorized by VA.</p> <p>The lender may request VA to approve such a fee if it is</p> <ul style="list-style-type: none"> <li>• normally paid by the borrower in a particular jurisdiction, and</li> <li>• considered reasonable and customary in the jurisdiction.</li> </ul>

Whenever the charge relates to services performed by a third party, the amount paid by the borrower must be limited to the actual charge of that third party. In addition, the borrower may not pay a duplicate fee for services that have already been paid for by another party.



In addition to the “itemized fees and charges,” the lender may charge the veteran a flat charge not to exceed 1% of the loan amount.

- Calculate the 1% on the principal amount after adding the funding fee to the loan, if the funding fee is paid from loan proceeds.
- For IRRRLs, use VA Form 26-8923, IRRRL Worksheet, for the calculation.

The lender’s flat charge is intended to cover all of the lender’s costs and services which are not reimbursable as “itemized fees and charges.”

The following list provides examples of items that cannot be charged to the veteran as “itemized fees and charges.” Instead, the lender must cover any cost of these items out of its flat fee.

- lender’s appraisals
- lender’s inspections, except in construction loan cases
- loan closing or settlement fees
- document preparation fees
- preparing loan papers or conveyancing fees
- attorney’s services other than for title work
- photographs
- interest rate lock-in fees
- postage and other mailing charges, stationery, telephone calls, and other overhead
- amortization schedules, pass books, and membership or entrance fees
- escrow fees or charges
- notary fees
- commitment fees or marketing fees of any secondary purchaser of the mortgage and preparation and recording of assignment of mortgage to such purchaser
- trustee’s fees or charges
- loan application or processing fees
- fees for preparation of truth-in-lending disclosure statement
- fees charged by loan brokers, finders or other third parties whether affiliated with the lender or not, and
- tax service fees



The lender can charge an additional flat charge on construction, alteration, improvement, or repair loans.

- If the lender supervises the progress of construction and/or makes advances to a veteran in excess of 50% of the loan during construction, alteration, improvement, or repair then the lender may charge the veteran up to 2% of the loan amount in addition to the lender's 1% flat charge
- If the lender does not supervise the progress of construction or make advances to a veteran in excess of 50% of the loan during construction, alteration, improvement, or repair then the lender may charge the veteran up to 1% of the loan amount in addition to the lender's 1% flat charge.

Attorney's fees and Brokerage fees may not be charged to or paid by the veteran-purchaser. Also a veteran cannot use loan proceeds to pay penalty costs for prepayment of an existing lien or penalty costs required to discharge any existing liens on the seller's property.

In proposed construction cases in which the dwelling was constructed under HUD supervision, the cost of any inspections or re-inspections must be borne by the builder or sponsor and are not chargeable to the veteran. This includes:

- re-inspections by VA or HUD of onsite or offsite work for which an escrow agreement was established, and
- any additional re-inspections deemed necessary by VA to assure conformity with VA regulations.



## Seller Concessions

A seller concession is anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide.

Seller concessions include but are not limited to the following:

- payment of the buyer's VA funding fee
- prepayment of buyer's property taxes and insurance
- gifts such as a television set or microwave
- payment of extra points to provide permanent interest rate buy-down
- provision of escrowed funds to provide temporary interest rate buy-downs, and
- payoff of credit balances or judgments on behalf of the buyer.



Seller concessions do not include:

- payment of the buyer's closing costs, or
- payment of points as appropriate to the market.

(Seller concessions may not exceed 4% of the reasonable value.)

## **Power Of Attorney**

<b>Policy</b>	VA will allow a veteran to use an attorney-in-fact to execute any documents necessary to obtain a VA guaranteed loan. This enables active duty servicepersons stationed overseas, and other veterans who cannot be present to execute loan documents, to obtain VA loans.
<b>Requirements</b>	<p>The veteran must execute a general or specific power of attorney which is valid and legally adequate. The veteran's attorney-in-fact may use this power of attorney to apply for a Certificate of Eligibility and initiate processing of a loan on behalf of the veteran.</p> <p>To complete the loan transaction using an attorney-in-fact, ensure that the general or specific power of attorney complies with state law to the extent that</p> <ul style="list-style-type: none"><li>· the mortgage can be legally enforced in that jurisdiction, and</li><li>· clear title can be conveyed in the event of foreclosure.</li></ul> <p>To complete the loan transaction using an attorney-in-fact VA also requires the veteran's written consent to the specifics of the transaction. This requirement can be satisfied by either</p> <ul style="list-style-type: none"><li>· the veteran's signature on both the sales contract and the URLA, as long as the veteran's intention to obtain a VA loan on the particular property is expressed somewhere in those documents, or</li><li>· a specific power of attorney or other document(s) signed by the veteran, which encompasses the following elements:<ul style="list-style-type: none"><li>- Entitlement—A clear intention to use all or a specified amount of entitlement.</li><li>- Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing.</li><li>- Property Identification—Identification of the specific property.</li><li>- Price and Terms—The sales price, if applicable, and other relevant terms of the transaction.</li><li>- Occupancy—The veteran's intention to use the property as a home to be occupied by the veteran (or other applicable VA occupancy requirement).</li></ul></li></ul>



**Veteran's  
Status as Alive  
and not MIA**

In addition, at the time of loan closing, the lender must

- verify that the veteran is alive, and, if on active military duty, not missing in action, and
- make the following certification:

“The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in-fact.”

The lender must always verify that the veteran is alive at the time of loan closing, whether or not the veteran is still in the military.

If the lender has difficulty obtaining verification that a service person in a combat area is alive and not in MIA status, the lender may request that VA obtain the necessary information on its behalf.

VA may deny guaranty on a loan if the lender failed to properly verify the veteran's status and the veteran was deceased (or MIA) at the time the loan was closed.



## **VA Funding Fee**

The lender must:

- verify status of any veteran who may be exempt from paying the funding fee
- determine the amount of funding fee owed by a non-exempt borrower
- collect the appropriate fee from all non-exempt borrowers at closing
- remit the funds to VA in a timely manner
- obtain proof of payment of the funding fee, and
- submit proof that the funding fee has been paid or that the veteran is exempt from paying the funding fee to VA with the closed loan package.

A veteran may be **exempt** from the funding fee and a VA Form 26-8937, Verification of VA

Benefit-Related Indebtedness must be completed if one of the following apply:

- Veteran receiving VA compensation for service-connected disabilities.
- Veterans would be entitled to receive compensation for service-connected disabilities if they did not receive retirement pay.
- Surviving spouse of veteran who died in service for from service-connected disability.
- Has received a VA disability benefit in the past.

**Please fax your request to:**

**Finance Section, Support Services Division**

**(612) 970-5635**

**If you have any questions call (612) 970-5612 or 5621.**

One of the following may be used to verify exempt status:

1. A properly completed and signed VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, indicating the borrower's exempt status.
2. An award letter issued within 1 year of the date of the loan application indicating the veteran is entitled to receipt of VA disability compensation.
3. For a veteran who elected service retirement pay instead of VA compensation, a copy of the original VA notification of disability rating and documentation of the veteran's service retirement income, or
4. Indications on the Certificate of Eligibility that the borrower is entitled as an unremarried surviving spouse.





## VA Funding Fee Schedule

Loan Type	Required Down Payment	Active Duty Personnel and Veterans	National Guard and Reservists
First Time Use of VA Loan Guaranty Benefits			
Purchase/Construction	0% down	2.00%	2.75%
	5% down	1.50%	2.25%
	10% down	1.25%	2.00%
Regular Cash Out Refinance		2.00%	2.75%
Second or subsequent use of VA Loan Guaranty Benefits			
Purchase/Construction	0% down	3.00%	3.00%
	5% down	1.50%	2.25%
	10% down	1.25%	2.00%
Regular Cash Out Refinance		3.00%	3.00%

All Interest Rate Reduction Refinance Loans      0.50%

Native American Direct Loans      1.25%

Manufactured (Mobile) Home Loans      1.00%

Assumptions\*      0.50%

(Increased to 1% effective December 13, 2002 through September 30, 2003)

\*This pertains to loans originally closed by the veteran on or after March 1, 1988. There is no funding fee required for assumption of loans closed prior to March 1, 1988 or assumed under Title 38 USC 3713.



## Funding Fee Payment System (FFPS)

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VA's new Funding Fee Payment System is an Internet based data input system where you enter relevant data regarding the payment of a funding fee. This system will allow you to print your own receipts within 24 hours of data entry.

There is a User Guide for this system located at the VA Loan Guaranty National Website:

<http://www.homeloans.va.gov>

A lender will access the new FFPS through <http://www.pay.gov/va>

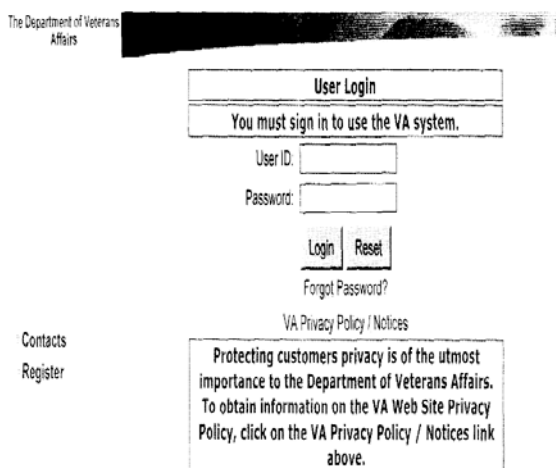
The Lender will register as a new user whereby they will give a variety of data regarding their lender identification number, corporate bank account routing number and address.

Once registered, the lender will input their lender ID and password to formally get into FFPS.

The lender can choose between a variety of functions such as: submit new payment, view previously input data through a variety of search criteria, cancel input, make corrections and view funding fee refunds.

If inputting a new funding fee, the system has an automatic calculator to determine the amount owed.

If you have input a funding fee payment, you will be able to print a receipt directly from this system within 24 hours.



The screenshot shows the 'User Login' page of the VA system. At the top left, it says 'The Department of Veterans Affairs'. The main heading is 'User Login'. Below this, it states 'You must sign in to use the VA system.' There are two input fields: 'User ID:' and 'Password:'. Below these fields are two buttons: 'Login' and 'Reset'. Below the buttons is a link that says 'Forgot Password?'. At the bottom, there is a link that says 'VA Privacy Policy / Notices'. Below this link is a box containing the text: 'Protecting customers privacy is of the utmost importance to the Department of Veterans Affairs. To obtain information on the VA Web Site Privacy Policy, click on the VA Privacy Policy / Notices link above.'

## **Modified Guaranty Submission Procedure**

Lenders must submit copies (except Certificate of Eligibility must be original) of only the items listed below (**in the order listed**) when requesting guaranty for all loans except Interest Rate Reduction Refinancing Loans (IRRRLs).

1. VA Form 26-0286, Loan Summary Sheet.
2. Certificate of Eligibility (VA Form 26-8320 or VA Form 26-8320a) or ACE Certificate, if not previously submitted in connection with a prior approval loan application.
3. Evidence of payment of funding fee (VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage and VA Form 26-8999, or evidence borrower is exempt.)
4. Notice of Value or Certificate of Reasonable Value (VA Form 26-1843), or copy of Master Notice of Value with front page and options pages highlighted to pertain to the specific property, as applicable.
5. VA Form 26-1820, Report and Certification of Loan Disbursement.
6. HUD-1, Settlement Statement.
7. Name and mailing address to be used in requesting file for full review or post audit.
8. If available, e-mail address, which may be used to request file in lieu of letter.

VA field stations will identify cases selected for full review or other audit purposes within 30 days of receipt by VA. Lenders will then be notified of selected cases by letter or e-mail, if the lender has that capability. Lenders must forward the complete original package to the requesting VA office within 15 days of receiving notification from VA.

(VA field stations may, at their discretion, terminate a lender's participation in this modified guaranty submission procedure if that lender demonstrates an ongoing inability or unwillingness to be timely in responding to requests from VA.)

### **It is absolutely imperative that lenders:**

Complete VA Form 26-0286, Loan Summary Sheet, accurately.

In LAPP cases, send a Uniform Residential Appraisal Report (URAR), with an original set of pictures and other information as required by paragraph 13.07 and lender's Notice of Value to the VA office that assigned the appraiser.



### **Required Documents for A VA Full Review Origination Loan Package:**

- Lender's cover or transmittal letter (if used)
- VA Form 26-0285, VA Transmittal List
- VA Form 26-0286, VA Loan Summary Sheet
- VA Form 26-8320 (or 26-8320a), Certificate of Eligibility
- VA Form 26-8998, Acknowledgment of Receipt of Funding Fee from Mortgagee, or if applicable, VA Form 26-0500, Notification to Mortgagee of Funding Fee Shortage, and VA Form 26-8999, Acknowledgment of Receipt of Funding Fee Shortage to Mortgagee, or evidence borrower is exempt
- VA Form 26-6393, Loan Analysis
- For Loan Prospector cases: Feedback Certificate and underwriter's certification (acceptable variations on the documentation required in items 17, 18, and 19 that follow, and the underwriter's certification, are explained in Section 4.08)
- VA Form 26-1820, Report and Certification of Loan Disbursement
- Lender's quality certification
- VA Form 26-8937, Verification of VA Benefit-Related Indebtedness (if applicable)
- HUD-1, Settlement Statement
- Evidence of compliance with CRV/MCRV or LAPP/NOV requirements; for example, final compliance inspection, termite certification, warranty, etc.
- If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan and provides the specific reason(s) why the loan was not submitted on time
- Interest Rate and Discount Disclosure Statement
- VA Form 26-0592, Counseling Checklist for Military Homebuyers, if applicant is on active duty
- Uniform Residential Loan Application (URLA) with revised VA Form 26-1802a, HUD/VA Addendum to Uniform Residential Loan Application  
These forms may be signed and dated anytime from the date of initial application to the date of loan closing. These forms must be properly completed and legible, but do not have to be typed
- All original credit reports obtained in connection with the loan and any related documentation
- VA Form 26-8497, Request for Verification of Employment, and other verifications of income such as pay stubs and tax returns
- VA Form 26-8497a, Request for Verification of Deposit, and other related documents. (Alternative documentation: Original or certified true copies of last two bank statements)
- Purchase/earnest money contracts
- VA Form 26-1805, VA Request for Determination of Reasonable Value (except in MCRV cases)
- LAPP Notice of Value (NOV) and any special requirements or conditions applicable to the property
- The original Freddie Mac Form 70/Fannie Mae Form 1004, Uniform Residential Appraisal Report (URAR) including all addendum's, photographs and any document(s)



revising or correcting the fee appraiser's original URAR (Any other necessary documents)

### **Required Certifications and Disclosures**

#### **Underwriter's Certification for Automated Underwriting "Accept" or "Approve" loans:**

"I, the undersigned lender, hereby certify that case number (insert VA loan number) was processed through \_\_\_\_\_ and received an 'Accept/Approve' rating. I further certify that all information entered into the system has been verified and that any credit discrepancies have been reconciled."

#### **Lender's Loan Current Certification:**

If loan is submitted more than 60 days after loan closing, a statement signed by a corporate officer of the lender which identifies the loan, provides the specific reasons for late reporting and certifies that the loan is current. This statement must be submitted with any late request for issuance of a Loan Guaranty Certificate.

### **Assumption Clause**

"THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT."

The instruments evidencing the loan (note or bond and mortgage or deed of trust, or retail installment contract for manufactured homes) must bear the exact language of this clause

in a conspicuous position

- in capital letters
- on the first page of the document, and
- in type at least 2-1/2 times larger than the regular type on such page.

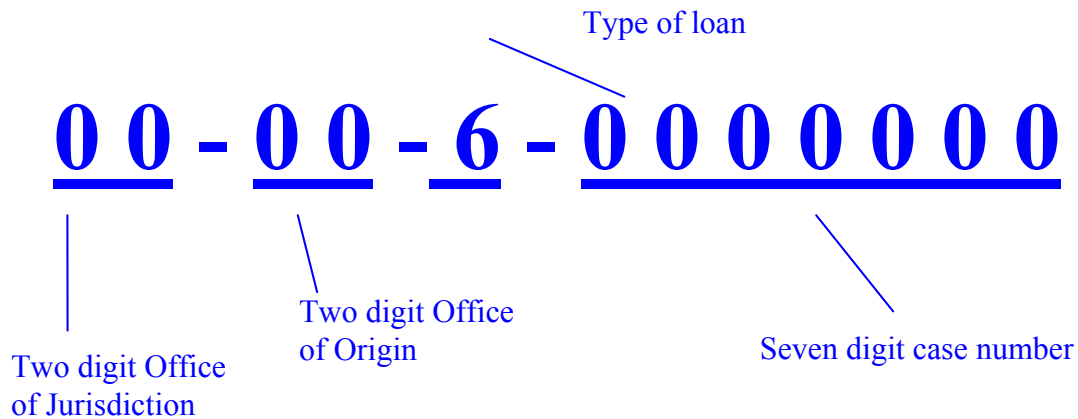
### **Escape Clause**

It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise or be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs. (Authority: 38 U.S.C. 501(a), 3703 (c) (1))



## VA Loan Number

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VA loan numbers contain 12 digits with three hyphens to separate the 4 categories of the 12 digits. The first 2 digits of the VA loan numbers refer to the VA “Office of Jurisdiction” or “OJ” and indicate a number assigned by VA to its office which has jurisdiction over the location of the home property. After the 2 “OJ” digits, the VA loan number contains a hyphen and a second set of 2 digits which are labeled “Office of Origin” or “OO” and indicate a number assigned by VA to its office where the appraisal was initially requested and the loan was originated. For example, if a VA loan was originated for a home in Wisconsin and is still serviced by the VA office in Wisconsin, its VA number starts with “30-30-n-nnnnnnn” because “30” is VA’s number for its office in Milwaukee.

VA began to transfer the responsibility for loan servicing and the corresponding jurisdiction for consolidation of certain loans from their initial office of origin and jurisdiction to regional loan centers. VA has not yet changed the numbers of the “OJ” to reflect the transfer of the jurisdiction. In other words, Wisconsin VA loans transferred for servicing to the VA Regional Loan Center in St. Paul (office number 35) still begin with “30-30-” rather than “35-30-.” However, the numbering could change in the future. After the 2 “OO” digits, the VA loan number contains a hyphen and a single digit to indicate type of loan in terms of VA’s legal or financial responsibilities. The 6 that is currently used means the loan was guaranteed by VA to an eligible veteran who purchased the property with the loan from a mortgage lender after January 1, 1990. After the single digit for the loan type, VA loan numbers contain a hyphen and a 7-digit serial number assigned at time of appraisal request. Use of all 7 digits are currently used in only a small number of offices, most VA numbers still need a zero followed by 6 numbers in this last numeric portion of the VA loan number.



VA LOAN SUMMARY SHEET	
<b>1. VA'S 12-DIGIT LOAN NUMBER</b>	
<b>2. VETERAN'S NAME</b> (First, middle, last)	
<b>3. VETERAN'S SOCIAL SECURITY NO.</b>	<b>4. VETERAN'S DATE OF BIRTH</b> (Month/Day/Year)
<b>5. RACIAL CODE</b> (Check one) <input type="checkbox"/> White, not Hispanic <input type="checkbox"/> Black, not Hispanic <input type="checkbox"/> Hispanic <input type="checkbox"/> American Indian or Alaskan <input type="checkbox"/> Asian or Pacific Islander <input type="checkbox"/> Unknown	
<b>6. ENTITLEMENT CODE</b> (01 to 11, from VA Certificate of Eligibility)	
<b>7. AMOUNT OF ENTITLEMENT AVAILABLE</b> (from VA Certificate of Eligibility)	
<b>8. BRANCH OF SERVICE</b> (Check one) <input type="checkbox"/> Army <input type="checkbox"/> Navy <input type="checkbox"/> Air Force <input type="checkbox"/> Marine <input type="checkbox"/> Coast Guard <input type="checkbox"/> Other	
<b>9. MILITARY STATUS</b> (Check one) <input type="checkbox"/> 1. Separated from Service <input type="checkbox"/> 2. In Service	
<b>10. FIRST TIME HOME BUYER</b> (Check one)                      This means a veteran who has not previously purchased a home either by cash, assumption, or new financing. <input type="checkbox"/> YES <input type="checkbox"/> NO	
<b>11. SEX OF VETERAN</b> (Check one) <input type="checkbox"/> MALE <input type="checkbox"/> FEMALE	
<b>12. TYPE OF LOAN</b> (Check one) <input type="checkbox"/> AUTOMATIC <input type="checkbox"/> AUTO-IRRRL <input type="checkbox"/> VA PRIOR APPROVAL	
<b>13. LOAN PROCESSED UNDER VA RECOGNIZED AUTOMATED UNDERWRITING SYSTEM?</b> (i.e., Loan Prospector, etc.) <input type="checkbox"/> YES <input type="checkbox"/> NO	
<b>14. PURPOSE OF LOAN</b> (Check one) <input type="checkbox"/> 1. Home (includes MH on permanent foundation) <input type="checkbox"/> 2. Manufactured Home <input type="checkbox"/> 3. Condominium <input type="checkbox"/> 4. Alterations/Improvements <input type="checkbox"/> 5. Refinance	
<b>15. LOAN CODE</b> (Check one) <input type="checkbox"/> 1. Purchase <input type="checkbox"/> 2. IRRRL (Streamline Refinance) <input type="checkbox"/> 3. Cash Out Refinance (Max 90% LTV) <input type="checkbox"/> 4. Manufactured Home Refinance <input type="checkbox"/> 5. Refinancing over 90% of RV	
<b>16. TYPE OF MORTGAGE</b> (Check one) <input type="checkbox"/> 0. Regular Fixed Payment <input type="checkbox"/> 1. GPM-Never to Exceed CRV <input type="checkbox"/> 2. Other GPMs <input type="checkbox"/> 3. GEM <input type="checkbox"/> 4. Temporary Buydown <input type="checkbox"/> 5. ARM	
<b>17. TYPE OF OWNERSHIP</b> (Check one) <input type="checkbox"/> 1. Sole Ownership (veteran & spouse or veteran only) <input type="checkbox"/> 2. Joint - 2 or more veterans <input type="checkbox"/> 3. Joint - veteran/non-veteran <input type="checkbox"/> 5. PUD <input type="checkbox"/> 6. Condominium	
<b>18. DATE OF CLOSING</b> (Month/Day/Year)	
<b>19. PURCHASE PRICE</b> (N/A for Refinance Loans)	\$
<b>20. REASONABLE VALUE</b> (For IRRRLs - if appraisal has not been done, loan amount of prior VA loan)	\$
<b>21. AMOUNT SPENT FOR ENERGY IMPROVEMENTS</b>	\$
<b>22. ENERGY IMPROVEMENTS</b> (Check all applicable boxes; check 0 if none) <input type="checkbox"/> 0. None <input type="checkbox"/> 1. Installation of Solar Heating/Cooling <input type="checkbox"/> 2. Replacement of a Major System <input type="checkbox"/> 3. Addition of a New Feature <input type="checkbox"/> 4. Insulation, caulking, weatherstripping, etc. <input type="checkbox"/> 5. Other Improvements	
<b>23. LOAN AMOUNT</b> (Purchase-Purchase Price or RV (lesser) + Funding Fee) (Refi - Max 90% LTV + Funding Fee) (IRRRL - Old Loan Payoff + All Closing Costs)	\$
<b>24. PROPERTY TYPE</b> (Check one) <input type="checkbox"/> Neither <input type="checkbox"/> PUD <input type="checkbox"/> Condominium	
<b>25. APPRAISAL TYPE</b> (Check one) <input type="checkbox"/> IND - Single Property-Ind appraisal <input type="checkbox"/> ONE - Master CRV Case (MCRV) <input type="checkbox"/> LAPP Appraisal <input type="checkbox"/> MBL - Manufactured Home <input type="checkbox"/> HUD - VA Conversion <input type="checkbox"/> PMC - Property Management Case	
<b>26. TYPE OF STRUCTURE</b> (Check one) <input type="checkbox"/> 1. Conventional Construction <input type="checkbox"/> 2. Singlewide M/H <input type="checkbox"/> 3. Doublewide M/H <input type="checkbox"/> 4. M/H lot only <input type="checkbox"/> 5. Prefabricated Home <input type="checkbox"/> 6. Condominium Conversion	

VA FORM 26-0286  
FEB 1999

SUPERSEDES VA FORM 26-0286, SEP 1998,  
WHICH WILL NOT BE USED.



<b>27. PROPERTY DESIGNATION</b> <i>(Check one)</i>		
<input type="checkbox"/> 1. Existing or used home, condo, M/H	<input type="checkbox"/> 2. Appraised as proposed construction	
<input type="checkbox"/> 3. New existing - never occupied	<input type="checkbox"/> 4. Energy improvements	
<b>28. NO. OF UNITS</b> <i>(Check one)</i>		
<input type="checkbox"/> Single	<input type="checkbox"/> Two units	<input type="checkbox"/> Three units <input type="checkbox"/> Four or more
<b>29. MCRV NO.</b>		
<b>30. MANUFACTURED HOME CATEGORY</b> <i>(Check one)</i>		
<input type="checkbox"/> 0. Other - Not M/H	<input type="checkbox"/> 1. M/H Only (rented space)	
<input type="checkbox"/> 2. M/H Only (Veteran-owned lot)	<input type="checkbox"/> 7. M/H on Permanent Foundation	
<b>31. PROPERTY ADDRESS</b>		
<b>32. CITY</b>	<b>33. STATE</b>	<b>34. ZIP CODE</b>
<b>35. COUNTY</b>		
<b>FOR LAPP CASES ONLY</b>		
<b>36. LENDER SAR ID NUMBER</b>		
<b>37. GROSS LIVING AREA</b> <i>(Square Feet)</i>		
<b>38. AGE OF PROPERTY</b> <i>(Yrs.)</i>		
<b>39. DATE SAR ISSUED NOTIFICATION OF VALUE</b> <i>(Month/Day/Year)</i>		
<b>40. TOTAL ROOM COUNT</b>	<b>41. BATHS</b> <i>(No.)</i>	<b>42. BEDROOMS</b> <i>(No.)</i>
<b>43. IF PROCESSED UNDER LAPP, WAS THE FEE APPRAISER'S ORIGINAL VALUE ESTIMATE CHANGED OR REPAIR RECOMMENDATIONS REVISED, OR DID THE SAR OTHERWISE MAKE SIGNIFICANT ADJUSTMENTS?</b>		
<input type="checkbox"/> YES <i>(There must be written justification by fee appraiser and/or SAR)</i> <input type="checkbox"/> NO		
<b>44. LENDER VA ID NUMBER</b>	<b>45. AGENT VA ID NUMBER</b> <i>(If applicable)</i>	
<b>INCOME INFORMATION</b> <i>(Not Applicable for IRRRLs)</i>		
<b>46. LIQUID ASSETS</b>	\$	
<b>47. TOTAL MONTHLY GROSS INCOME</b> <i>(Item 32 + Item 39 from VA Form 26-6393)</i>	\$	
<b>48. RESIDUAL INCOME</b>	\$	
<b>49. RESIDUAL INCOME GUIDELINE</b>	\$	
<b>50. DEBT-INCOME RATIO</b> <i>(If Income Ratio is over 41% and Residual Income is not 120% of guideline, statement of justification signed by underwriter's supervisor must be included on or with VA Form 26-6393)</i>		
%		
<b>51. SPOUSE INCOME CONSIDERED</b>	<b>52. SPOUSE'S INCOME AMOUNT</b> <i>(If considered)</i>	
<input type="checkbox"/> YES <input type="checkbox"/> NO	\$	
<b>DISCOUNT INFORMATION</b> <i>(Applicable for All Loans)</i>		
<b>53. DISCOUNT POINTS CHARGED</b>	% OR	\$
<b>54. DISCOUNT POINTS PAID BY VETERAN</b>	% OR	\$
<b>55. TERM</b> <i>(Months)</i>	<b>56. INTEREST RATE</b>	<b>57. FUNDING FEE EXEMPT</b>
	%	<input type="checkbox"/> Y - Exempt <input type="checkbox"/> N - Not Exempt
<b>FOR IRRRLS ONLY</b>		
<b>58. PAID IN FULL VA LOAN NUMBER</b>		
<b>59. ORIGINAL LOAN AMOUNT</b> \$	<b>60. ORIGINAL INTEREST RATE</b> %	
<b>61. REMARKS</b>		



## Frequently Asked Questions

### **What is the VA Web site address and what can be found there?**

Lenders can reach the VA Lender and Servicer Home Page at:

<http://www.homeloans.va.gov>.

At this site you can download the VA Lender's Handbook, find out about recent changes, plans for upcoming satellite training and access other useful information.

### **What is the maximum loan amount VA will guarantee?**

VA does not have a maximum loan amount. It is understood that lenders must generally have at least 25% of the loan guaranteed by VA to sell the loan on the secondary market. Based on this factor the following limits **may** apply:

Refinance Loan Types	Limit
Purchases or Construction *	\$240,000 including VA's Funding Fee
Regular or Cash-Out *	\$144,000 including VA's Funding Fee
Interest Rate Reduction	VA will guaranty 25% of the final loan amount as long as it is in compliance with VA regulations

\* It is suggested that any deviations on loan amounts for purchases or construction and regular or cash-out refinances listed above be discussed with your secondary mortgage market representative prior to closing to ensure that you have the proper coverage needed to satisfy your investors requirements.

### **Can a veteran purchase a home with his fiancée using a VA loan?**

The veteran can purchase a home with any individual they choose but VA will only guarantee the portion of the loan attributed to the veteran and a spouse. For example, if the veteran intends to purchase a home with a fiancée prior to marriage and will share the same interest in the property, VA would guarantee half of the loan.

### **What is the maximum guaranty on a joint loan for two veterans?**

The loan amount and guaranty percentage would be the same as for one veteran. The use of two certificates does not mean you can double the guaranty or loan amount.

### **Is an off base housing authorization required for veterans currently serving in the Armed Forces to process a loan package?**

This varies from region to region. You should contact your Regional Loan Center.



**Will the VA accept a partial package for credit approval prior to the appraisal being ordered?**

No. The VA requires a complete loan package to underwrite a loan for commitment. A complete list of required package content is contained in the VA Lender's Handbook.

**How many properties can a veteran own through VA?**

A veteran can reuse the VA benefit multiple times as long as there is sufficient entitlement to cover the new loan. In addition, the new home purchased must be the primary residence.

**Can a veteran refinance over the 90% LTV on a cash-out refinance?**

The loan amount may not exceed 90% of the appraised value (referred to as the base loan amount) plus the VA funding fee. For example, the maximum loan amount for a home with an appraised value of \$115,000 would be:

\$103,500	Base loan amount at 90% of the appraised value
+ \$ 2,070	VA Funding Fee (e.g. 2% for first time use veteran \$2,070)
\$105,570	Maximum loan amount

It is understood that the loan amount may not exceed \$144,000 to sell the loan on the secondary mortgage market. The exception to this is an addition for an Energy Efficient Improvement Loan (EEI). For EEI mortgages, the loan amount may be increased by the cost of the energy conservation improvements up to \$6,000.

**How do you process a loan for a veteran who has been rated incompetent?**

Obtain proof that the person signing the documents for the veteran is authorized. Obtain VA Form 26-8937, Verification of VA Benefit-Related Indebtedness. Submit a complete package (including a NOV) to VA for review and acceptance prior to the closing.

**Does the VA require a 2.75% funding fee if the borrower is currently in the reserves or National Guard but the veteran has a green certificate?**

If the veteran possesses a valid green certificate it was obtained because he/she served full time active duty and is subject to the lower funding fee. The fact that a person is in the reserves or National Guard presently does not mean they automatically have to pay the higher funding fee. They may have qualified for the benefit as a veteran with full time active duty service previously. Reserve/National Guard certificates are clearly annotated as such and list the fact that the veteran is subject to a higher funding fee on the certificate. Any unusual scenarios may be clarified with your Regional Loan Center. Questionable certificates may be addressed with one of the Eligibility Centers.



**If a veteran purchased a home with a VA home loan, paid off the loan and had entitlement restored, are they considered a multiple user?**

Yes, they are considered a multiple user and subject to a higher funding fee unless exempt. Additionally, if the benefit was used before and the borrower is using remaining entitlement to purchase another home, they would be subject to a higher funding fee. Information on funding fees can be found in the VA Lender's Handbook.

**What documentation is acceptable to establish exemption from the VA Funding Fee?**

VA Form 26-8937, Verification of VA Benefit-Related Indebtedness, completed and signed by VA. A current award letter dated within the past 12 months. Letter from the Veteran Service Center Manager confirming the extension of compensable service connected disability income. Proof that the veteran elected to receive service retirement pay in lieu of VA compensation, such as a copy of the original VA notification of disability rating and proof of receipt of retirement income. A Certificate Of Eligibility (COE) which indicates that the borrower is eligible for VA benefit as an unmarried surviving spouse as stated on the COE.

**Where can I find information about lender approval, automatic authority or agents?**

All of this information is contained in Chapter One of the VA Lender's Handbook, located on our site at [www.homeloans.va.gov](http://www.homeloans.va.gov). A checklist and specific points to consider when applying for automatic underwriting authority can also be found there.

**Can you give a mortgage for an Interest Rate Reduction Refinance Loan (IRRRL) when the veteran no longer occupies the property?**

Yes, prior occupancy of the property is sufficient. The IRRRL is the only VA loan where the veteran or his spouse does not have to occupy the property as a primary residence when the new loan closes. Specifics on occupancy requirements can be found in the VA Lender's Handbook.

**Is there any exception to the 10-year rule for Interest Rate Reduction Refinance Loans (IRRRL's)?**

In general, the new term for an IRRRL may not exceed the term listed on the note of the original loan being paid in full by more than 10 years.



## **Assets**

### **Should gift funds be verified in the donor's or applicant's account?**

There is no specific requirement in the VA Lender's Handbook. The lender must obtain a gift letter as a minimum. Many lenders obtain documentation of the veteran's receipt of funds from a donor. This ensures that the veteran did not obtain other financing to cover the closing costs.

### **Can the veteran's retirement fund be included as liquid assets?**

Retirement funds that are not available to the veteran cannot be included as a liquid asset. Voluntary contributory retirement plans may demonstrate a veteran's ability to accumulate savings and should be considered a compensating factor. If a veteran is taking a loan against the retirement account to close the loan, the withdrawal must be recorded.

## **Income**

### **What landlord experience requirements must be met for the VA to accept rental income for loan qualification?**

There are many types of rental properties that are specifically dealt with in the VA Lender's Handbook.

For example: If a veteran is purchasing a multi-family home to occupy as a primary residence, the VA requires the lender to document the veteran's reserves and previous landlord experience when the rental income is needed by the veteran to qualify for the home loan. For landlord experience, the veteran must have owned a multi-family home, had prior experience managing rental units or other background involving property maintenance/trades and rental or collections experience. If the veteran can support the mortgage without the rental income, neither the landlord experience nor reserve requirements are needed. In unusual situations the underwriter should evaluate all the circumstances and contact the Regional Loan Center they deal with for guidance if needed. Any landlord experience or equivalent must be properly documented in the file and unusual situations addressed in the remarks section of the loan analysis form, e.g., the veteran may initiate a contract with a property manager for a year in lieu of the landlord experience. This contract may be noted in the remarks section and could be accepted by the underwriter on a case by case basis in lieu of the standard regulation.

### **What reserve requirements must be met for the VA to accept rental income for loan qualification?**

Different scenarios involving use of rental income are specifically dealt with in the VA Lender's Handbook.

For example: If a veteran is purchasing a multi-family home to occupy as a primary residence, the VA requires the lender to document the veteran's reserves and previous landlord experience when the rental income is needed by the veteran to qualify for the home loan. In this instance, 6 months of Principal, Interest, Taxes



and Insurance (PITI) reserves must be documented (above and beyond closing costs). If the veteran can support the mortgage without the rental income, neither the landlord experience nor reserve requirements are needed.

**If a veteran is not employed, may the income of the non-veteran spouse be used to qualify the veteran for the home loan?**

If the spouse is on the application, you can use the spouse's income.

**What length of time should the applicant be self-employed to consider it a source of income?**

The VA prefers the applicant to be self-employed for a two-year period. The underwriter may consider a candidate that has a full year of documented self-employment and past regular employment or education in the same line of work. Specifics concerning self-employment income can be found in the VA Lender's Handbook.

**Can the income from a non-qualifying spouse (a spouse not listed on the application) be used to qualify the veteran?**

If the spouse is not on the application you cannot use the income when completing the loan analysis form. However, should the spouse choose to provide documentation concerning his/her employment (e.g. paystub and W-2), the underwriter could consider removing the spouse from the residual requirement (reduce the number of family members by one). The spouse cannot be forced to provide this data. The underwriter must document the exception in the remarks section of the loan analysis form.

**Can we use income of a trailing spouse?**

Income from a trailing spouse can generally not be considered as the spouse does not have employment in the new location and there is no guarantee of employment when he/she moves. The income may be used to offset the expense of the spouse in his/her current location. Under certain circumstances, the lender may find it possible to document a demand in the new location for the spouse's profession and the underwriter may consider using the income for offsetting some obligations with the potential income. Use of this income in any form should be considered on a case by case basis and documented in the remarks section of the loan analysis sheet.

**Is it possible to consider the income of an applicant who has worked in a current job for less than one year, and the current job is not related to his/her previous job?**

In general, the VA would prefer that an applicant had worked on a current job for a year. Consideration may be given the veteran if there has been a recent job change but is in the same line of work or has specialized training in the field. The underwriter should also consider the employer's evaluation on the probability of continued employment, how much of that applicant's income is needed and if there are any compensating factors. If the veteran does not have a full year on his/her



current job (even if it is not related) the VA does not require an automatic denial. Careful review and judgment is required by the underwriter and reasons for the decision should be annotated in the remarks section of the loan analysis. Specifics concerning income stability can be found in the VA Lender's Handbook. In all cases employment must be verified for a two-year period and any gaps of employment addressed by the applicant in a written format.

**Can commission income be considered a source of income if the applicant has not been receiving it for two years?**

If the applicant has not been receiving commission income for a two-year period, the underwriter must carefully review the applicant's previous work experience and commission history. If the applicant has been receiving commissions for at least one full year and has a background in the field it may be possible to use that income or offset some debt. If the veteran has not been receiving commission income for at least a year, it is unlikely that this source of income may be used. The underwriter should address the use of any income with less than a two-year history in the remarks section of the loan analysis form and assure there is supportive documentation in the loan file.

**What else can be considered (e.g. depreciation, interest, etc.) to compute net income for a self-employed applicant?**

Depreciation claimed on the tax returns and financial statements can be added to net income to calculate qualifying income. Should the underwriter choose to include additional items in net effective income, these must be specified on the loan analysis form with documentation contained in the file.

**Can Year to Date (YTD) Profit and Loss (P&L) statement earnings be used to derive income for self-employed applicants? If so, must the P&L statement be audited or prepared by an accountant?**

The VA will average the earnings based on a YTD P&L statement if they are consistent with previous earnings. Generally VA does not require financial statements to be audited. Under some circumstances the underwriter may feel it is necessary to obtain an audited financial statement to clarify income or resolve discrepancies. Specifics concerning self-employment documentation can be found in the VA Lender's Handbook.

**Can part-time employment be considered as additional income for an applicant that also has a full-time job?**

The VA requires that overtime, part-time and bonus income is documented as consistent over a two-year period and is likely to continue. This is to show that the income is stable and the veteran is able to work beyond the normal work hours over a long period. If the income has been received consistently for 12 months and is likely to continue, the underwriter may choose to offset debt with this income. Any income received for less than a 12-month period may be considered as a compensating factor by the underwriter. Specifics concerning overtime, second job or bonus income can be found in the VA Lender's Handbook.



**What are the requirements to consider disability compensation as a source of income?**

There is no time of receipt required to use disability income. The lender must document that the compensation is currently being received and that this income will continue for a three-year period generally, or be able to draw the conclusion that it will continue in the foreseeable future. In lieu of obtaining this documentation through the insurance company or Social Security Administration, it is possible to obtain a doctor's written confirmation regarding the applicant's probability of returning to work. If the disability will not continue for a three-year period/"foreseeable future," the underwriter may choose to consider the compensation to offset debt. Each case is distinct and should be considered on a case-by-case basis. The underwriter's decision should be documented in the remarks section of the loan analysis form. Specifics concerning disability income can be found in the VA Lender's Handbook.

**Can a veteran purchase a home that is more than 50 miles away from his place of employment and commute?**

Yes, as long as the veteran can commute to his primary residence a VA loan can be used. If the veteran is going to be making an unusually long commute, the underwriter must consider commuting expenses in the loan analysis. It is the responsibility of the underwriter to determine the "normal" commute distance in the area.

**Can the income of a spouse who is not a US citizen be considered? If so, does the VA require documentation that the spouse has a green card?**

The income of a spouse who is not a US citizen may be considered if the spouse is on the loan application. The VA does not require any documentation that the spouse has a green card. Lenders should check with investors to verify secondary mortgage market requirements.

**What are the requirements for income to be considered if a veteran is employed by a "Temp" agency for more than 9 months with a well established employer, can the income be used?**

Generally, it would be difficult to consider earnings from Temp agency employment without an established two-year history. If a person is a career Temp agency employee, the overall earnings and employment history should be evaluated. Stability of income and a pattern of earnings may be established after a year. Any income used without a year history should be addressed in the remarks section of the loan analysis form. The underwriter must give careful consideration to these scenarios and address how stability and the average income are derived.

**How long does child support have to continue in order to be considered as income?**





Child support must continue for a three-year period or into the foreseeable future. If the support is going to be for less than three years, the underwriter may consider offsetting the children in the residual guideline if consistent receipt of the support is verified. If the underwriter chooses to offset the children in the residual guideline or offset an intermediate obligation, this should be noted in the remarks section of the loan analysis form. Specifics concerning child support income and the documentation required can be found in the VA Lender's Handbook.

## **Debts**

### **Does the VA consider childcare costs a debt? If so, what documentation is required?**

Yes, the VA considers childcare expenses as debt. The lender must obtain a letter from the veteran documenting the childcare expense or detailing why no expense is incurred. Ensure that the current daycare provisions will remain logical based on the location of the new home. If applicable, the name and address of the child care provider should be obtained. This expense should be listed under section D, line 30, job related expense on the VA Loan Analysis.

### **Is it required to obligate the veteran for a mortgage that has been assigned to the ex-spouse by the courts?**

No, in general, you do not have to obligate the veteran for a debt that the courts assigned to an ex-spouse - even if that debt is delinquent. This is specified in the VA Lender's Handbook.

### **For military applicants, do we need to consider separate household expenses if the applicant will be living in quarters and says he will not have any expense?**

If the veteran states that he/she will be living in military quarters at no cost and his/her spouse will be living in the subject property, you do not have to consider separate household expenses. However, if a review of the Leave and Earnings Statement shows a withdrawal for housing or there is any indication in the file of current expenses, clarification should be obtained.

### **Can we disregard the veteran's monthly debt if it is to be paid off within the next 5 months?**

The underwriter must consider the following for installments with less than 10 months remaining: The payment must not be so large that it will have a severe impact on the financial situation of the household. The amount of "severe impact" is left to the underwriter's discretion. If the payment is large, the underwriter may consider if there are reserves to cover the debt after closing or a source of income they were unable to use in the analysis. The final determination is the underwriter's. If a debt is not considered and the logic is not highly visible, a notation should be made in the remarks section of the Loan Analysis. In the case of revolving or open-ended accounts with a continued pattern of use, the underwriter must include the





regular monthly payment/minimum payment on the Loan Analysis. Specifics may be found in the VA Lender's Handbook.

**If a veteran co-signed a loan, must it be considered as their obligation?**

Not always, the debt may be disregarded if there is proof in the file that the payments are being made by someone else (e.g., a year's worth of canceled checks) and there is no reason to believe this will not continue. This is specified in the VA Lender's Handbook.

**How are student loans considered?**

Student loans must be reviewed on a case by case basis. The underwriter must consider the whole scenario and use judgment when making this decision. Factors to be considered include whether the payment is deferred or if there will be new or additional income to offset this expense. Loans deferred for more than a year may generally be disregarded. Should the underwriter choose to exclude a student loan as an obligation, a notation should be made in the remarks section of the Loan Analysis.

**How are 401K loans considered?**

401K loans may be disregarded.

**Are union dues, life insurance or medical insurance included in the debt section of the Loan Analysis Form?**

No, all of these factors are considered part of the residual requirement. The residual is the net income after shelter, debts and taxes is removed. The debt section covers items the veteran and family needs such as food, clothing, healthcare, gas, etc. Additional information concerning residual income may be found in the VA Lender's Handbook.

**How is child support considered from a debt and credit report standpoint?**

Child support is considered as a debt and must be listed in section D of the Loan Analysis. If late payments appear on the credit report, it should be addressed and considered in the overall credit picture.

**Credit**

**Do unpaid obligations, such as collections and charge-offs, listed on a credit report have to be paid off? What about judgments or liens?**

The VA does not require charge-offs and collection accounts to be paid off. The underwriter should obtain the veteran's explanation and supporting documentation if needed. If the accounts are dealt with by a steady repayment plan, this may be considered as a positive factor. If there has not been repayment scheduled, paying them off now does not alter the unsatisfactory credit. Judgments, Federal debts and liens must be paid in full or have a written repayment agreement. Written repayment agreements must be included in the debt section of the loan analysis. This is specified in the VA Lender's Handbook.



**What procedures should I follow if I get a CAIVRS "hit"?**

The following steps should be taken: Contact the veteran or co-applicant regarding the claim to find out if they know about it, or have proof that it has been paid in full/resolved.

If the applicant is not aware of the item or needs to resolve it, someone must contact the federal agency listing the debt. A listing of agencies and contact phone numbers are contained in the VA Lender's Handbook. If it is determined that there is no claim against the veteran, the lender should document this by written confirmation from the agency or the lender telephone certification. The Housing and Urban Development's (HUD's) CAIVRS system may not be update quickly so do not hold up the approval or closing. If there is a loss to the government, the lender must obtain proof of payoff or a written repayment agreement.

**When can a person with a bankruptcy on the credit report apply for a VA loan?**

The date of the discharge is the major determining factor. If a bankruptcy was discharged more than 2 years ago it may be disregarded. If the bankruptcy was discharged between 1-2 years ago, the veteran must have reestablished credit by some means and the cause of the bankruptcy must be documented as having been beyond the control of the applicant (e.g., job loss or medical issues). If the bankruptcy was discharged less than a year ago, it will not generally be possible to ascertain satisfactory credit risk. Marginal cases should be addressed in the remarks section of the Loan Analysis. The guidelines for bankruptcy may be found in the VA Lender's Handbook.

**How do you treat Consumer Credit Counseling Services (CCCS)?**

If an applicant is currently in consumer credit counseling, they must have demonstrated a 12 month history of timely payments and the counseling agency must approve of the new credit. Occasionally an applicant chooses to participate in consumer credit counseling to obtain assistance with finances, even without being behind in payments. In these cases, consumer credit counseling may be considered a neutral or even a positive factor. Do not treat this as a negative credit item if the veteran entered the consumer credit counseling plan before reaching the point of having bad credit. Specifics on consumer credit counseling may be found in the VA Lender's Handbook.

**Is a veteran eligible for a loan if he/she is behind on child support payments?**

Child support is a credit obligation and if it is in arrears, it must be addressed. The veteran may have a legal action pending. In those cases the underwriter must look at the documentation and explanation submitted. If the documentation supports a veteran's claim that they are not responsible for the debt and merely awaiting the court records to be finalized this would not be considered a derogatory item. All other cases with pending legal action must be looked at on a case by case basis. Should you need advice on these, make sure you develop the situation completely then speak with your supervisor or VA Regional Loan Center for guidance. If the



veteran is behind due to financial matters, the underwriter must take the following into account: Is there is a repayment schedule? How it will be repaid? Will the cause of the delinquency have an impact on the veteran's proposed loan scenario? The underwriter must exercise good judgment on a case by case basis.

**To determine whether the veteran has a satisfactory payment history, how many months must be reviewed?**

Generally VA requires a 12-month history of satisfactory payment. Any late payments within the past year should be developed for an explanation and supporting documentation obtained if needed. The underwriter must make a credit decision based on all the documentation of that particular veteran. Comments should be placed in the remarks section of the Loan Analysis for any loans approved which have late payments in the past year. In marginal cases it may be helpful to review the mortgage or rental history carefully as the applicant's past repayment history could establish how motivated the applicant is to make timely mortgage payments in the future. Information on adverse credit or other scenarios such as bankruptcy and foreclosures may be found in the VA Lender's Handbook.

**The veteran has been living with his/her parents and does not have any loans or credit cards. What does the veteran need to provide to be considered credit worthy?**

The underwriter must look at these cases individually and consider if there were any past credit or other compensating factors. The VA does not consider the lack of credit a negative factor.

**Does VA use credit scoring? If so is there a minimum score?**

No, the VA does not use credit scoring. The underwriter should review the credit of each veteran individually. The VA does recognize that credit scoring is a standard mortgage industry practice and a high credit score may be listed as one of several compensating factors in the remarks section of the Loan Analysis. Should the underwriter be using an automated underwriting system such as Loan Prospector, they would follow specific guidelines in accordance to the automated underwriting system.

**Can payment plans be used on derogatory credit? If so how long do they have to have been established?**

If there are derogatory credit issues (e.g., a collection account, IRS lien, back due child support), but the veteran has been making payments for a full year, the underwriter may consider this a positive factor. Be sure to list the payment as an obligation. If the borrower has been making payments for less than a year, the underwriter must review all factors for the loan to determine if the overall credit is acceptable. The underwriter must use judgment on a case by case basis. These decisions should be documented in the remarks section of the Loan Analysis.



## **Rendering a Decision**

**If a veteran's spouse is not on the application and is receiving child support payments, could these funds be considered to offset the children in the residual?**

Yes, as long as the motivation for payment (e.g., court order) and consistent receipt of the funds are documented.

**Are compensating factors considered for loans with ratios over 41%?**

The VA home loan is a residual driven program. The VA considers the ratio as a secondary evaluator. The underwriter should consider the following: If the residual is in excess of the guideline by more than 20%, a loan with a high ratio but good credit and job stability could be approved. If the loan does not have residual + 20%, the underwriter must review all compensating factors and the decision should be documented in the remarks section of the Loan Analysis. For loans with ratios over 41% and the residual does not exceed the guideline by 20%, the underwriter's supervisor must sign the Loan Analysis concurring with the underwriter's determination. The reasoning for loan approval must be listed in the remarks section of the Loan Analysis. Specifics on ratios, second signatures and compensating factors may be found in the VA Lender's Handbook.

**Can non-taxable income be grossed up?**

Non-taxable income can be grossed up for determining the ratio only. Item 39 of the Loan Analysis form must list the actual income, not the grossed up figure. There should be two ratios listed on the Loan Analysis if you choose to gross up; the first in box 45 showing the actual ratio and the second in box 48 listing the ratio based on the grossed up income figure.



## Office of Jurisdiction Codes

State	Number
AK	63
AL	22
AR	50
AZ	45
CA	43
CA	44
CA	77
CO	39
CT	73
DE	13
DC	72
FL	17
GA	16
HI	59
IA	33
ID	47
IL	28
IN	26
KS	52
KY	27
LA	21
MA	73
ME	73
MD	13
MI	29
MN	35
MO	31
MS	23
MT	39

State	Number
NC	18
ND	35
NE	34
NH	73
NJ	09
NV	45
NM	40
NY	06
NY	07
OH	25
OK	51
OR	48
PA	10
PA	11
PR	55
RI	73
SC	19
SD	35
TN	20
TX	49
TX	62
UT	41
VA	14
VT	73
WA	46
WI	30
WV	14
WY	39

## Most Frequently Used VA Forms For Mortgage Loan Origination

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VA Form	Title of Form or Description
26-0285	Transmittal Sheet
<b>26-0286</b>	<b>Loan Summary Sheet</b>
26-0500	Notification to Mortgagee of Funding Fee Shortage
<b>26-0503</b>	<b>Federal Collection Policy Notice</b>
26-0551	VA Debt Questionnaire
26-0592	Counseling Checklist for Military
<b>26-1802a</b>	<b>HUD/VA Addendum to URLA</b>
26-1805	Request for Determination of Reasonable Value
<b>26-1817</b>	<b>Request for Determination Unmarried Surviving Spouse Application</b>
26-1820	Report & Certification of Loan Disbursement
<b>26-1880</b>	<b>Request for A Certificate of Eligibility</b>
26-1859	Warranty of Completion of Construction
26-1866	Certificate of Commitment
<b>26-6393</b>	<b>Loan Analysis</b>
26-8261a	Request for Certificate of Veteran Status
26-8375	Termite Soil Treatment Guaranty
26-8497	Verification of Employment
26-8497a	Verification of Deposit
26-8736	Application for Authority to Close Loans on an Automatic Basis Nonsupervised Lenders
<b>26-8736a</b>	<b>Nonsupervised Lender's Nomination and Recommendation of Credit Underwriter</b>
<b>26-8812</b>	<b>VA Equal Opportunity Lender Certification</b>
26-8850	Wood Destroying Insect Certification
<b>26-8923</b>	<b>Refinancing Loan Worksheet</b>
<b>26-8937</b>	<b>Verification of VA Benefit-Related Indebtedness</b>
26-8998	Acknowledgment of Receipt of Funding Fee from Mortgagee
26-8999	Acknowledgment of Funding Fee Shortage

(St. Paul Publications unit phone number (612) 970-5630)

**Bolded forms** are available at:

**[homeloans.va.gov/L&S.htm](http://homeloans.va.gov/L&S.htm)**



## Acronyms

<b>ACE</b>	Automated Certificate of Eligibility
<b>ARM</b>	Adjustable Rate Mortgage
<b>BAH</b>	Basic Allowance for Housing
<b>BAQ</b>	Basic Allowance for Quarters
<b>BAS</b>	Basic Allowance for Subsistence
<b>CAIVRS</b>	Credit Alert Interactive Voice Response System
<b>C&amp;V</b>	Construction and Valuation Section (Appraisals)
<b>COE</b>	Certificate of Eligibility
<b>CVS</b>	Certificate of Veteran Status
<b>EDI</b>	Electronic Data Interchange
<b>ETS</b>	Expiration of Term of Service
<b>FFPS</b>	Funding Fee Payment System
<b>GPM</b>	Graduated Payment Mortgage
<b>HARM</b>	Hybrid Adjustable Rate Mortgage
<b>IRRRL</b>	Interest Rate Reduction Refinance Loan
<b>LAPP</b>	Lender Appraisal Processing Program
<b>LES</b>	Leave and Earnings Statement
<b>LGC</b>	Loan Guaranty Certificate
<b>MCC</b>	Mortgage Credit Certificate
<b>MCRV</b>	Master Notice of Value
<b>NOV</b>	Notice of Value
<b>PITI</b>	Principal, Interest, Taxes, and Insurance
<b>POA</b>	Power of Attorney
<b>PUD</b>	Planned Unit Development
<b>RLC</b>	Regional Loan Center
<b>ROL</b>	Release of Liability
<b>SAR</b>	Staff Appraisal Reviewer
<b>SOE</b>	Substitution of Entitlement
<b>SOS</b>	Statement of Service
<b>TAS</b>	The Appraisal System
<b>URLA</b>	Uniform Residential Loan Application
<b>VA</b>	Department of Veterans Affairs
<b>VHA</b>	Variable Housing Allowance
<b>VOD</b>	Verification of Deposit
<b>VOE</b>	Verification of Employment



## Regional Loan Centers

	<u>Voice Line</u>	<u>Fax Line</u>	<u>Serving These States</u>
<b><u>Atlanta RLC</u></b> PO Box 100023, Decatur, GA 30031 Email: <a href="mailto:atlly@vba.va.gov">atlly@vba.va.gov</a> Website: <a href="http://www.vageorgia.com">www.vageorgia.com</a>	888-768-2132	404-929-5401	GA, SC, NC, TN
<b><u>Cleveland RLC</u></b> 1240 East Ninth Street, Cleveland, OH 44199 Email: <a href="mailto:vahomesite@vba.va.gov">vahomesite@vba.va.gov</a> Website: <a href="http://www.vba.va.gov/ro/central/cleve/index.htm">www.vba.va.gov/ro/central/cleve/index.htm</a>	800-729-5772	216-522-3101	NJ, DE, PA, OH, IN, MI
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<b><u>Roanoke RLC</u></b> 210 Franklin Road SW, Roanoke, VA 24011 Email: <a href="mailto:roanoke.lp@vba.va.gov">roanoke.lp@vba.va.gov</a> Website: <a href="http://www.vba-roanoke.com/rlc">www.vba-roanoke.com/rlc</a>	800-933-5499	540-857-2893	DC, KY, MD, VA, WV
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## Department of Veterans Affairs Seminar Critique

We want your feedback. Please tell us what you thought of this program and how we can better meet your training needs.

***Presenter(s):***

***Date:***

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*Circle Appropriate Response*

1. Have you learned any new information?	Yes	No
2. Will the information provided assist you with future VA Loans?	Yes	No
3. Will you use the training manual in the future?	Yes	No
4. Are you interested in further VA Training?	Yes	No
5. If you answered yes to the above what type of training?		
6. I wish you had spent more time on:		
7. I wish you had spent less time on:		
8. Did the presenter(s) do an effective job in presenting the information?	Yes	No
9. Other remarks and suggestions:		

